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NEW COTTON TEXTILE POLICY

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Textile policy : miles to go

THEY DID not fight on the beaches since Delhi, a land-locked city, has no beaches to offer. No blood or tears were shed because no bones were broken at the cabinet meetings, but only hard words were spoken.

The Industry minister evidently believes that propaganda is nine-tenths of performance or even more. For months now he has been bombarding the public with advance notices of a brave new textile policy which will clothe all the naked and the poor. At the same time he has been building up a structure of suspense about the contents of the promised package with a professional skill which even Hitchcock fans could hardly help admiring. But, then, there is always this law of diminishing returns which has a way of tripping up or trapping politicians in particular. Like the film producer Mr Raj Kapoor's "Satyam Shivam Sundaram", the new textile policy of Mr George Fernandes has become a casualty of pre-release over-publicity. It is so fatally easy to raise expectations which one may find that one cannot fulfil after all.

For years now the per capita consumption of textiles has been falling. From 15.13 metres in 1972, the per capita availability of cotton, blended and man-made textiles had come down to 13.42 metres in 1977. The downward trend has been particularly marked from 1974 onwards. Since, however, the consumption of blended and man-made fabrics has been rising, the former from 0.36 metres in 1972 to 2.35 metres in 1977 and the latter from 1.59 metres to 1.60 metres over the same period, the declining per capita consumption of textiles as a whole has been at the cost of cotton cloth. As compared with the per capita availability of 13.18 metres in 1972, the consumption of cotton textiles in 1977 has been estimated at 9.47 metres.

Significantly enough, the mill production of cotton cloth, meanwhile, has been declining both absolutely and in relation to the output of cloth woven on handlooms and powerlooms. Output of cotton textiles in the organised sector was 4,299 million metres or 48.3 per cent of the total in 1973, but it had come down to 4,120 million metres or 43.5 per cent of the total by 1977. This has meant that the increase in the total production of cotton textiles from 8,908 million metres to 9,465 million metres between 1973 and 1977 was a result of the decentralized sector raising its output from 4,691 million metres to 5,345 million metres during the same period. The rise in the relative significance of handlooms and powerlooms in the cotton textile economy is even more strikingly brought out by the fact that, whereas in 1951 the share of the decentralized sector in total production was only 25.8 per cent, it has been over 50 per cent since 1973 and has been estimated at 56.5 per cent for the year 1977.

This rapidly growing role of the decentralized sector in the production of cloth, however, has not led to an increase in per capita consumption, as was noticed earlier. On the contrary per capita consumption has been falling. Although handloom cloth has been subsidized both at the expense of the mill sector and the public exchequer and although handloom cloth has enjoyed exemption from central excise and powerloom cloth has been enjoying the advantage of lower excise duties, while the mill sector has had to bear steadily increasing rate of excise taxation, the expansion of production in the decentralised sector, at the cost of the growth of output in the mill sector, has not helped to make cloth generally less expensive or improve the consumption of textiles by the poorer sections of the community. It follows that a policy merely aiming at increasing the absolute output or the relative market share of the decentralized sector need not necessarily promote the objective of bringing cloth within the reach of the purchasing power of the mass of the people and thereby improve their standards of cloth consumption.

On the contrary, the experience of past years suggests that a high-cost, low-productivity textile economy has been taking shape both in the organized and in the decentralized sectors, leading to a rise in the general level of cloth prices and thereby

discouraging consumption. One part of the explanation is that handloom technology, particularly, is high-cost technology. Powelooms are more competitive with the mill sector, but this is largely because of their being able to avoid economic and social overheads in addition to their receiving preferential tax treatment. In the organized mill industry itself, the government's textile policy over the last 30 years has been inimical to progress in the manufacturing or marketing technology.

Starting with the war-time controls of the 'forties, a wild jungle growth of regulations and restrictions has proliferated with obscene fecundity, distorting production and demand patterns, discouraging maintenance and modernization as well as plant expansion and prompting the managements of cotton textile mills to direct their resources into more profitable channels by diversifying their manufacturing activities.

profitability eroded

Thanks to continuous, arbitrary, *ad hoc* additions to the burden of taxation on the industry and the obstructions caused to the full utilization of its installed capacity by various measures of control claimed to be for the protection of the producers in the decentralized sector or the consumers, the profitability of cotton textile mill production has been continuously eroded. This has not only built up arrears of maintenance or modernization in the industry as a whole, but has also driven the weaker or marginal manufacturers to the wall, compelling the government to bail out sick mills with public funds. The result is that the government is saddled with a loss-making sector of nationalized textile mills and has also been obliged to find ways and means of financing the capital requirements or even the cashflows of a large part of the cotton textile industry.

The government's latest announcement has ignored most of these problems and this is reason enough to deny to it the title of "a new textile policy". In fact the only positive contribution it has made towards correcting the distortions in the textile economy is the lifting of the obligation placed on the mills to produce controlled varieties of cloth and sell them below cost. A good part of the sickness in the cotton textile industry has been the result of this imposition. The government, however, will still be calling upon the National Textile Corporation, constituting the public sector in the cotton textile industry, to manufacture a certain quantity of controlled varieties of cloth.

formula in the making

What this scheme amounts to is that, while a certain yardage of this cloth will be allotted to the mills of the National Textile Corporation as a manufacturing obligation, the difference between this quantity and a total yardage of 400 million square metres will be assigned to the private sector mills on the basis of competitive bids. Precisely how this total of 400 million square metres is to be shared between these two categories has not been disclosed. The government, presumably, is still trying to figure out a formula. Although the cotton textile mills in the private sector will no longer be under the compulsion to produce a specified quantity of controlled cloth, the statement does not make it clear what would happen if the bids voluntarily made by these mills do not fill the gap between the ceiling of 400 million square metres and the yardage allotted to the NTC mills.

The government does not propose to allow any increase in the prices of controlled varieties of cloth. This means that they will continue to enjoy a subsidy at or about the present rate of Rs 1.70 per metre, taking the total subsidy for the output of 400 million square metres of cloth to an aggregate amount somewhere between Rs 60 crores and Rs 70 crores. It has been disclosed that the subsidy will not be borne by the public exchequer but by the mill industry as a whole. The details, however, have not been disclosed; meanwhile any suggestion that cotton textiles, which are already very heavily taxed, should bear any further fiscal burden, whatever the purpose may be, cannot be accepted with complacency, if only because should the mill industry be burdened with the subsidy, some of the benefits accruing to it from the cancellation of the controlled cloth obligation will be lost.

Indeed there is little to be complacent about in the new textile policy. There is much unutilized capacity in both the organized and the decentralized sectors of the textile industry. There is no immediate need for any increase in spindles or looms in the mill sector and there is no necessity to add to the number of powerlooms or handlooms. But, in both areas, it is urgently necessary to replace obsolete machinery or uneconomic equipment and invest capital also in modernizing plant for the purpose of quality-oriented production, especially in the export trade. In this sense, the government's ideological prescription of freezing weaving capacity in the mill sector and reserving expansion of capacity to the decentralized sector is only of academic interest for the time being although this policy will not be in the interests of the consumer over a longer period.

credit liberalization

Right now what is most needed is the liberalization of credit facilities for the cotton mills and the cooperatives in the decentralized sector. The organized sector requires both capital and working funds. The soft loan scheme of the IDBI has so far not made much headway partly because the rate of interest, the margin requirements and other lending terms are considered to be too onerous by borrowers in the mill sector and partly because the prospects for a steady and orderly growth of cotton textiles consumption are not rated high. It is now up to the government to add meaning to its new textile policy, not only by incorporating reasonable liberalizations of lending terms in the soft loans scheme but also by easing some of the pressures which are repressing the growth of demand for cotton textiles. Here a review of the fiscal burden on cotton textiles would appear to be indicated especially in the light of the Jha committee's observations on the cascading effect of multiple commodity taxation.

Although it was given out earlier that this textile policy would impart new dimensions to the so-called "multi-fibre" approach, there is actually not much in it to direct or influence the future of the man-made fibre industry. An impression is created that the government in fact does

not favour any fast growth of the man-made fibre industry relative to cotton textiles, although there is an increasing tendency among the public to go in for man-made fibre fabrics. The government seems to believe that the interest of cotton growers will be somehow prejudiced if cotton fabrics do not maintain their share of the textile market. There seems to be much confused thinking here. Because of variations in output from year to year, the supply of cotton, particularly medium staple, is by no means in easy equilibrium with demand. As a matter of fact, uncertainties about the sufficient availability of raw cotton present a major obstacle to the orderly functioning or steady growth of the cotton textile industry. This is why the government has found it necessary to impose an obligation on cotton mills to manufacture some quantities of blended fabrics. Considering the competing demands of various crops on agricultural land and allied resources, notably irrigation, there is much substance in the argument that the growth of the demand of raw cotton should be regulated partly through reasonable encouragement being given to the expansion of the man-made fibre industry.

In any case, the objective of strengthening the cotton economy or the bargaining position of the cotton farmer is more likely to be gained by removing the various production and marketing restrictions on the mills and in fact by winding up the office of the Textile Commissioner than by artificially restricting the choice of textiles available to the public. In fact the removal of all controls on the cotton textile industry is the only basis on which the new textile policy could proceed to restore health to the textile economy.

Finally, the government should resolve to bring to bear on the decentralized sector a rational rather than a sentimental view of its needs and capabilities. The notion that the handloom industry is somehow peculiarly fitted to produce mass consumption cloth at prices lower than the mills is just nonsense. Handloom production of lower-priced cloth will have to be indefinitely subsidized. It is therefore not in the public interest to impose on the handloom industry the manufacture of mass consumption textiles as its primary obligation. On the contrary, it should be the purpose of an intelligent handloom policy to encourage this textile sector to go in more and more for fabrics which embody a high degree of craftsmanship and artisan skills and could therefore find a market at remunerative prices among the higher income groups both at home and abroad. This will be in keeping with the trend in cotton textiles consumption, both nationally and internationally. When the Industry minister or others like him talk of an appropriate technology for handlooms, it is in these terms that they should learn to think. The handloom, in itself, is not capable of turning out cloth at lower cost. What the handloom weaver can and ought to be encouraged to do is to add more value to his manufacture by putting in more and more of his human skills. It is only in this way that he can free himself of the bonds of subsistence work or living and make for himself a place in the sun, alongside the powerlooms and the mills.

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Millstone off the mills' neck

THE NEW textile policy has absolved the private sector mills of their obligation to manufacture controlled cloth which consisted of popular varieties of cotton cloth made available to the poorer sections of the society at reasonable prices. This stipulation will become effective from the beginning of October this year. It will bring to an end a process of statutory controls on cotton textiles which began more than three decades ago during World War II. Because of the inflationary pressures generated during the war period and the dislocation caused in the supply of essential inputs, textile machinery and replacements the demand for cotton textiles far exceeded supply and the then government initiated price and distribution controls in July 1943. The Essential Supplies (Temporary Provisions) Act, 1946 perpetuated these controls till January 1948 when they were abandoned for the first time. Mahatma Gandhi had supported the demand for decontrol because in his view, all controls had corrupting influences. But this respite from controls was short-lived. In August 1948, the Cotton Textiles (Control) Order, 1948 was issued to control the production, pricing and packing of cotton cloth. The Tariff Commission was assigned the task of recommending fair prices for the different varieties of cloth manufactured by the industry.

creditworthy performance

The first five-year Plan (1951-52—1955-56) had set the target of production of cotton cloth at 4300 million metres but the performance of the industry was creditworthy. It raised output to 4658 million metres thus eliminating the shortage of cloth. Right in the middle of the first Plan period—in July 1953—all controls on cotton cloth were once again removed. The availability of cloth in the country was much more than what was needed by the people and it was felt that controls on its production or pricing or distribution were unnecessary.

During the subsequent two five-year Plan periods, the actual output of cloth fell far short of the targets fixed by the Planning Commission. For the second five-year Plan (1956-57—1960-61), the target had been set at 5300 million metres but production was far lower at 4616 million metres. Again, for the third five-year Plan (1961-62 – 1965-66), the target of production remained unchanged at 5300 million metres but output remained stagnant around 4600 million metres. In fact, the cotton textile industry did not record any increase in cloth production for a decade which pushed up prices from 1958 onwards. The government hesitated to impose any controls. The industry was urged to adopt voluntary price control. The industry agreed to freeze prices at levels prevailing at that time though the new varieties of cloth were kept outside the area of self-regulating price control.

tariff commission study

The government of India then asked the Tariff Commission to study once again the cost structure of the cotton textile industry and make recommendations in regard to the pricing of cloth. The government found it difficult to implement the recommendations of this expert body and sought the assistance of a technical committee to reformulate them. This committee also failed to make such recommendations as could be acceptable to the government. In the meantime the government evolved a new policy designed to assist the weaker sections of society. It was in 1964 that the policy of cheap cloth for the poorer sections of the society was formulated and the mills were asked to set apart a portion of their production for them. The government asked the industry to take on the responsibility of distribution of cheap cloth as well.

Between October 1964 when the distribution of cheap cloth was handled by the mills and today the industry has gone through various kinds of restrictions and controls. In 1964, the production of cloth in the country was 7,720 million metres out of which the mills produced 4,654 million metres—60.3 per cent of the total. The per capita availability of cloth in that year was the highest at 15.22 metres. In no year since then has availability of cloth reached that level. In 1977 also, the total output of cloth by mills at 4,147 million metres was significantly lower than the level reached in 1964.

government's worry

Even though there was no dearth of cotton cloth in 1964, the government was worried about the supply of cloth to the weaker sections of society. It decontrolled superfine, fine and medium categories of cloth; the lower medium varieties were kept under control; a nominal increase in ex-mill prices was granted for all varieties of cloth but not for dhotis and sarees; the mills were subjected to a penalty of six paise per metre for any shortfall in meeting the controlled cloth obligation. The industry was not satisfied by these measures because the steady rise in the wage bills and the mounting costs of inputs cut into the profitability of the mills. The impact of interest charges became excessive. It more than doubled from Rs 18.5 crores in 1964-65 to Rs 39.8 crores in 1970-71 in the samples of companies analysed by the Reserve Bank of India. As disclosed in the following table (culled from a RBI study), the profitability of the industry was severely curtailed.

The cotton mills thus experienced a period of declining profitability from 1964-65 to 1970-71, and among other reasons, the compulsion to produce controlled cloth was one of the major ones. During this period, raw cotton prices rose by nearly 80 per cent but mill cloth prices increased by 32 per cent only. A natural consequence was growing sickness among the mills. The worst year for the cotton textile mills during this period was 1968-69 when raw cotton prices moved up by about 8.6 per cent while the mill cloth prices rose by 2.9 per cent only. In order to assist the mills, the government of India permitted a two per cent increase in the prices of controlled varieties of cloth which had earlier been fixed in April 1967. The revision in prices proved inadequate, thus further aggra-

vating the financial position of the mills.

It was in 1972 that the government of India sought the assistance of the Bureau of Industrial Costs and Prices in analysing the functioning of the cotton mills and making recommendations for the smooth functioning of the controlled cloth scheme. In the meantime, the government set up a high-level committee in association with representatives of industry to evolve a scheme for the production and distribution of coarse and medium cloth. This committee recommended the payment of subsidy to mills for the manufacture of controlled cloth. The mills were asked to voluntarily operate the new scheme which involved production and distribution of coarse and medium cloth. The Textile Commissioner was asked to supervise it. The Indian Cotton Mills Federation was asked to assist in the implementation of the voluntary scheme under which the mills had agreed to manufacture 100 million square metres of controlled cloth in each quarter or 400 million square metres in a year. The mills which agreed to manufacture controlled cloth were given a subsidy of 50 paise per sq metre to compensate the loss incurred. The funds for the subsidy were obtained from the Textile Commissioner's Controlled Cloth Compensatory Fund, contributions made by mills based on the volume of production of fine and superfine varieties of cloth, and the premium paid by industry on PL 480 cotton consumed by them. But the life of this voluntary arrangement was very brief. It ended in September 1972 when the controlled cloth scheme was changed subsequent to the submission of its report by the Bureau of Industrial Costs and Prices. The payment of subsidy was stopped and the mills were put under the obligation to manufacture controlled cloth on the basis of "loom shift working or packed production". The mills had no option and incurred heavy losses in 1972 and 1973.

The controlled cloth scheme underwent a sea-change in March 1974: its production was raised from 400 million metres

Profitability of Textile Mill Industry

Year	Number of companies	Gross profit (Rs crores)	Interest (Rs crores)	Pre-tax profit (Rs crores)
1964-65	256	57.0	18.5	38.5
1965-66	256	41.1	24.1	17.0
1966-67	261	52.7	26.1	26.6
1967-68	,,	47.0	30.4	16.6
1968-69	,,	42.1	34.9	7.2
1969-70	,,	64.7	35.8	28.9
1970-71	,,	70·1	39.8	30.3

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to 800 million metres per year. The medium "A" category cloth was also included in the controlled varieties besides dhotis, drill, shirting and longcloth. To safeguard the interests of consumers, printing of the cantrolled prices on the selvedge of every metre was progressively introduced. The distribution machinery was streamlined and the distribution margin was fixed at 20 per cent of the ex-mill prices to meet the costs of transport and distribution. The penalty for the non-fulfilment of the controlled cloth obligation was enhanced from one rupee a metre to Rs 2.50 a metre. Also, the prices of the controlled varieties of cloth were raised with effect from April 1, 1974 by 30 per cent in relation to the prices fixed in May 1968.

losses incurred

Even after the 30 per cent increase in prices allowed in the case of controlled cloth, the mills were incurring a loss of one rupee per metre of controlled cloth produced implying that the industry was put under an obligation to sustain a loss of Rs 80 crores a year. Thus, a part of the profit made by the industry on the sale of fine and superfine varieties was used in meeting this loss. But the most unfortunate element of this scheme was that it failed to assist the weaker sections of society. The bulk of the controlled cloth meant for them never reached them. This was revealed in a study made by the National Council of Applied Economic Research (NCAER) in 1975.

The NCAER disclosed that only 15 per cent of the purchases of controlled cloth were made by rural households, the balance being consumed by families in metropolitan and urban areas. The lopsided distribution of controlled cloth had been the direct result of the insufficiency of rural retail outlets. The cooperative societies in the rural areas had been charged with the responsibility to distribute controlled cloth but they had miserably failed in this regard. A majority of the distribution centres were in urban and semi-urban areas.

In Maharashtra, for instance, there were in all 800 retail outlets but as many as 350 were in the Bombay metropolitan complex. Also, the production of controlled cloth had no relationship to market demand with the result that at times the mills including the National Textile Corporation—a public sector undertaking—were saddled with huge inventories. In 1975-76, the cotton textile industry passed through a recessionary phase with falling sales, rising stocks, credit squeeze and power shortage. Not unexpectedly, the profitability of the industry dropped markedly. In the RBI study covering 249 cotton textile mills, gross profit dropped from Rs 148.36 crores in 1974-75 to Rs 53.21 crores in 1975-76.

The ministry of Commerce did a great disservice to the cotton textile industry by not allowing increases in the sale prices of controlled cloth from April 1967 onwards in keeping with the increase in production costs. Earlier, from October 1964, price revisions were made every six months. The revision in sale prices allowed in April 1967 did not fully neutralise the increase in production costs. All representations made by the industry were ignored by the government. The result of such an unwise policy was to increase the number of sick mills to 38 by March 1968. Since there was no reversal in the policy of controlled cloth and the industry's quota was fixed at 800 million metres in 1974-75, the number of sick mills rose to more than 100. Today there are 111 sick mills which are all being managed by the NTC. After pursuing a faulty policy for nearly 15 years, the government has conceded in the latest policy statement that "the losses suffered by the weaker mills on account of the production of controlled cloth have been one of the important contributory causes for their sickness". It is not that this wisdom has all of a sudden dawned upon the government. In the 52nd report of the Public Accounts Committee (1977-78), the ministry of Commerce stated: "With the pegging of prices of controlled cloth at a constant level since 1968—modified to a limited extent only once in 1974—the industry had been making losses on the production of controlled cloth." In fact, at the then current level of cotton prices, it has been found that even the cost of cotton could not be covered by the price in some controlled cloth prices. It is on this ground that a committee was set up under the chairmanship or Mr S.S. Marathe to look into production costs and recommend whether the present mul-

Eastern Economist 30 Years Ago

AUGUST 20, 1948

The subject of depreciation allowances on plant and machinery is of great importance at present for a variety of reasons. The rate of taxation is high and will continue to be so. Consequently, the value of any relief that can be secured by the tax-payer is considerable. Again while depreciation allowances are based on original cost, it is replacement cost, which is of real significance to industrialists today. Prices of capital goods are excessive, and though they may ease in the next few years, they will not decline to pre-war levels, at least in the foreseeable future. As it is necessary for industry to undertake much renewal and replacement in the immediate future replacement costs in these cases are going to be much higher than the original cost. Moreover, industrial equipment has been subject to abnormal strain in the last few years, owing to difficulties in securing spare parts, absence of adequate maintenance facilities, employment of inexperienced labour and supervisory personnel, enforced pace of utilisation, etc. The rate of wear and tear, consequently, has been excessive. Above all, as modernisation has become very vital not only for improvement, but also for the mere maintenance of industrial efficiency the problem of obsolescence has been assuming increasing importance. In view of all these considerations, the business community is at present greatly interested in the revenue authorities adopting as progressive an attitude as possible in the matter of allowances for depreciation loss.

The issue is not without significance, even from the larger view-point of the community's interests. While there may be more than one opinion on the proper level of income taxation, no knowledgeable person will seriously question the proposition that in this country, direct taxation has already reached a point, where its disincentive effect on enterprise has become noticeable.

tiplier is realistic and if not, to suggest corrections in the same. The Marathe committee has come to the conclusion that the multiplier is out of step with the production costs". This note was sent by the ministry of Commerce (department of Textiles) on September 8, 1976 to the Public Accounts Committee of parliament. The latest textile policy statement has abolished the manufacture of controlled cloth by private cotton textile mills nearly two years after the ministry had stated in the above-mentioned note that it had been following an erroneous policy in this regard.

The textile policy statement has however ensured the continued supply of subsidised cloth to the weaker sections of society. The production of mill-made controlled cloth will be limited to 400 million square metres and will be produced by both the NTC and the private sector mills. After the NTC agrees to produce a certain share of the controlled cloth, contracts for the production of the remaining quantity will be given to private sector mills on the basis of competitive bids. It follows that those private sector mills which do not wish to manufacture controlled cloth will not be under any obligation to do so. The bids by the private mills would be accepted only if the price sought does not exceed "the cost at which similar cloth would be manufactured by the NTC mills". The responsibility of meeting any shortfall in production by the private sector mills has now been put squarely on the NTC.

Opinions, of course, would differ on whether not allowing the mill industry, especially the sector managed by the NTC, to fully cover its cost of production of the varieties of cloth needed by the vulnerable sections, was a correct policy, especially when these sections also have been gradually switching from cheaper cloth over to the costlier blended fabrics owing to the greater durability and easier washability of the latter vis-a-vis the former.

major objective

The implications of the new policy have been analysed in an article preceding this one. Its major objectives apparently are to prevent further sickness in the industry through freeing it from the shackles of producing compulsorily a certain percentage of the varieties of cloth the prices of which have to be kept low through controls or subsidies and to foster the development of the handloom and khadi sectors in the interest of increasing employment opportunities as well as providing cheaper cloth to the weaker sections. The production of these two sectors is to be subsidised to some extent. The NTC is to continue to produce cheap cloth for the poor; the subsidy involved in this connection is to be borne by the entire mill sector.

The NTC continues to make sizeable losses even after 10 years of its operations, although it has been able to improve its performance in this respect over the last three years. The losses were going up steadily reaching Rs 31.28 crores in 1974-75. There was a further sharp deterioration in 1975-76, with a record loss of Rs 61.12 crores. In the subsequent two years, however, the loss has declined to Rs 35.75 crores and Rs 28.54 crores, respectively. The record loss in 1975-76 could have been contained within a lower level, but for the sharp upswing in the prices of cotton in that year. Two of the nine subsidiaries of the NTC (Gujarat and Tamil Nadu and Pondicherry) are stated to have turned the corner; they yielded some profit last year. Six other subsidiaries have considerably reduced their annual losses. These are managing the mills in Uttar Pradesh; Andhra Pradesh, Kerala, Karnataka and

NTC's performance

THE SICKNESS in the textile industry, which the government proposes to tackle through the integrated policy announced by the minister of Industry, Mr George Fernandes last week, is most strikingly illustrated by the origins and performance of the National Textile Corporation (NTC). Formed as a central government undertaking in 1968 to run 16 mills taken over by the government till then as a sequel to their becoming 'sick', along with several others, the NTC is currently managing as many as 111 units. An overwhelming majority of the mills presently being run by the NTC had been taken over by 1972-73. By the end of that year, 103 mills had come under the management of the NTC. In pursuance of the policy of the government, these mills were nationalised in 1974. Subsequently, eight mills have been taken over by the government and handed over to the NTC —two in July, 1976 and six a few months ago. None of these mills has been nationalised as yet; they are only being managed by the NTC. The question of returning them to the original owners, however, does not arise in terms of government policy.

Among the many factors which have contributed to the sickness in the textile industry, the more important are (i) the rigorous controls the industry has been subjected to right since World War II, (ii) the historic necessity of this industry, along with some other traditional industries providing catalytic funds for the diversification of the country's industrial growth, (iii) the inadequacy of internal resources, as a result of the above two factors, leading to neglect of modernisation programmes, (iv) the serious impact that trade union activity had on the working of several units, and (v) inept management in some cases. The polemics in which the politicians indulge on ideological considerations blur the individual or collective impact of the above factors. But there can be no denying the fact that all of them have contributed to the steady deterioration in the health of the textile industry. The government had to intervene in the interest of keeping up employment.

In a sense, the losses incurred by the NTC in running the sick units need to be considered social overheads. They have helped in obviating the swelling up of the ranks of the unemployed and have also enabled the government to provide less expensive traditional varieties of cloth to the vulnerable sections of society.

Mahe; Madhya Pradesh, Delhi, Punjab, and Rajasthan; Maharashtra North and Maharashtra South.

The only subsidiary which suffered a larger loss last year compared to the previous one was the one looking after the mills in West Bengal, Assam, Bihar and Orissa. The overall monthly loss registered by the NTC in April last amounted to only Rs 74 lakhs, as against an average monthly loss of as much as Rs 5 crores in 1975-76. The West Bengal, Assam, Bihar and Orissa subsidiary alone accounted for as much as Rs 72 lakhs loss in April. There has been a perceptible improvement in the various profitability ratios of the undertaking.

Production-wise too, there has been a significant improvement in the operations of the NTC since 1975-76. Last year it turned out from its 43,849 looms (22 per cent of the total weaving capacity of the industry) and 2.88 million spindles (15 per cent of the total spindlage) approximately 853 million metres of cloth and 55 million kgs of yarn for the market, as against 816 million metres and 57 million kgs in the previous year, and 764 million metres and 49 million kgs a year earlier. Compared to 1974-75, when 900 million metres of cloth and 51 million kgs of yarn were produced by it, the progress should appear to be insignificant. But there has been a qualitative improvement in production which is reflected in the value of the output. The value of the production of the undertaking amounted to Rs 300 crores in 1974-75. It went down to Rs 253 crores in 1975-76 but went up to Rs 347 crores in 1976-77 and further to Rs 410 crores in 1977-78. During the three years to 1978, whereas the production of cloth in the cotton textile industry, excluding the NTC mills, declined by 3.73 per cent—from 3,456 million metres to 3,327 million metres—that of the NTC mills went up by 11.5 per cent—from 764 million metres to 853 million metres.

The production of yarn in these years declined in the case of the former by 20 per cent—from 872 million kgs. to 697 million kgs, but in the case of the latter, it registered 9.3 per cent improvement—from 140 million kgs to 153 million kgs. The NTC has been able to commission into production 96 per cent of the installed spindles and 95 per cent of the looms, which are currently yielding a monthly output of 70 million metres of cloth and 4.5 million kgs of yarn. The export effort of the undertaking is also yielding improved results. Its exports which fetched Rs 13.43 crores in 1975-76, earned for the country Rs 19.01 crores in 1976-77 and Rs 14.20 crores in 1977-78. This year the output of the corporation is expected to go up to Rs 425 crores.

The reasons for the continuous losses of the NTC, of course, are not far to seek. They include: (i) inadequacy of bank finance; (ii) about 10 per cent excess work-force; and (iii) an overwhelming proportion (up to 97.67 per cent) of production comprising coarse and medium varieties of cloth. The inadequacy of

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finance from banks has necessitated greater resort to trade credits, entailing heavy discounts on sales of finished goods. Some subsidiaries of the NTC are also forced to accept in many cases sub-standard goods because of their weak financial position. The material inputs costing more and more and the realisations from the sales of finished products not always keeping pace with the increase in production costs, losses are bound to occur and when they have to be met through increased borrowed working capital, the interest burden goes up. A vicious circle, therefore, has been created.

debt-equity ratio

Attempts have been made in the recent past to bring down the equity-debt ratio of the undertaking through increase in equity. But still this ratio stands around 1.5:1, as against the normal ratio of 1:1 in the case of the private sector cotton mills. The high debt-equity ratio has cast a heavy burden of interest charges on the NTC, which works out to 6.4 per cent of the turnover. In the case of private mills, this percentage does not exceed 3.5. During 1977-78, the undertaking is said to have incurred a loss of about Rs 12 crores on account of the excessive interest burden alone.

Efforts are being made to devise ways and means of reducing the interest burden and to contain the impact of the excessive work-force. The marketing network is being strengthened, the procurement of raw materials is being rationalised and the product-mix is being diversified and upgraded. An ambitious modernisation programme has been undertaken, involving an aggregate outlay of Rs 203.27 crores. This investment, however, may have to be revised upward by as much as Rs 47 crores due to the escalation in machinery prices since the start of the implementation of the programme.

Only those mills are being rehabilitated and modernised which are capable of being nursed back to health. The programme covers 100 of the 103 nationalised mills; two mills are considered to be incapable of rehabilitation. One mill is yet to be categorised for the modernisation programme which has been divided into three categories according to the pay-back period of the investment involved—up to five years, between five and eight years, and above eight years.

An investment of Rs 105 crores had been approved for the programme up to December 31, 1977. Machinery and equipment worth Rs 65 crores had been received till the end of September last and orders had been placed by that time for machinery worth another Rs 18 crores. As a result of the modernisation plan, not only the average count of the NTC mills has gone up steadily finer by one count per annum during the last couple of years and the construction of fabrics grown denser, but also the utilisation of installed capacity has increased from 50 per cent at the time of take-over to nearly 67.5 per cent. The plan has as well enabled the NTC mills to take up the production of blended yarn and fabrics. The production of yarn too has improved both quality-wise and quantity-wise.

Increasing resort is being taken to procure raw cotton through the Cotton Corporation of India—a public sector organisation—and cooperative agencies. The judicious placement of orders has helped the NTC in containing its raw material inventories, which has had a salutory effect on the requirements of working capital. The requirements of non-cotton fibre are being arranged through the STC with similar effect.

The modernisation programme, of course, will make more labour redundant. This problem is being tackled through rationalisation schemes in consultation with the unions.

Interestingly enough, even though the NTC expects the state governments in whose jurisdiction the sick mills are located, to take up 49 per cent of the equity of the concerned subsidiaries, no state government, has as yet come up to this expectation. The only states which have contributed to some extent to the equity of the NTC-subsidiaries are Uttar Pradesh, West Bengal, Bihar, Orissa, Andhra Pradesh, Karnataka and Mahe (Pondicherry). Delhi and Rajasthan administration have made available some loans. Perhaps the state governments want the centre to shoulder the entire burden of the losses of the undertaking, in spite of the fact that they do not hesitate to go to any extent in pressurising the centre for taking over the sick units to protect the interests of workers, even if they cannot be rehabilitated.

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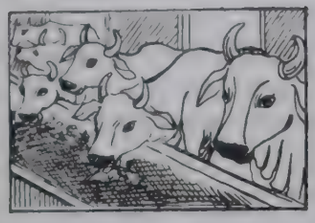

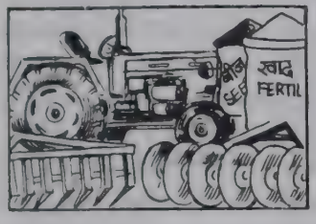

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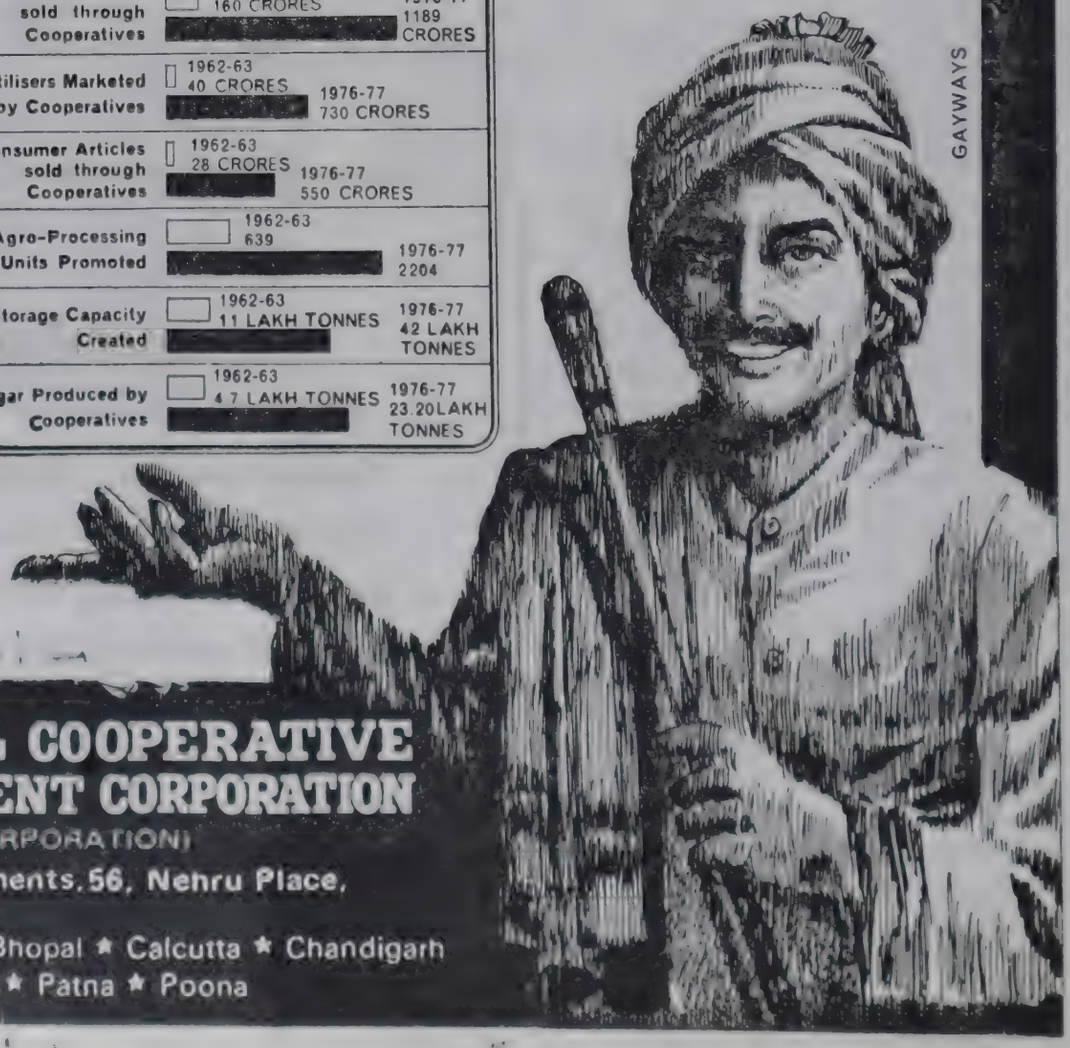
	1962-63	1976-77
Agricultural Produce sold through Cooperatives	160 CRORES	1189 CRORES
Fertilisers Marketed by Cooperatives	40 CRORES	730 CRORES
Consumer Articles sold through Cooperatives	28 CRORES	550 CRORES
Agro-Processing Units Promoted	639	2204
Storage Capacity Created	11 LAKH TONNES	42 LAKH TONNES
Sugar Produced by Cooperatives	4.7 LAKH TONNES	23.20 LAKH TONNES



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CAPITAL'S CORRIDORS

R. C. Ummat

The fertiliser scene • Utilization of foreign exchange reserves • Rajya Sabha panel on graft probe

THAT THE efforts at balanced application of the three types of fertilisers—nitrogenous (N), phosphatic (P_2O_5) and potassic (K_2O)—are yielding wholesome results is evident from the consumption pattern during 1977-78. During this year, the consumption of all the three plant nutrients went up significantly, but there was a much more pronounced use of P_2O_5 and K_2O manures. The country consumed last year 2.915 million tonnes of nitrogen, 867,500 tonnes of P_2O_5 and 505,000 tonnes of K_2O, as against 2.457 million tonnes, 635,300 tonnes and 318,600 tonnes respectively, in the previous year and 2.149 million tonnes, 466,800 tonnes and 278,300 tonnes in 1975-76. Thus, whereas the consumption of nitrogen went up last year by 18.6 per cent, as against 14.4 per cent in the previous year, that of P_2O_5 registered an increase of 36.5 per cent in 1977-78 and 36.1 per cent in 1976-77. The application of K_2O increased in 1976-77 by 14.5 per cent compared to the previous year, and by as much as 58.5 per cent in 1977-78 over that in 1976-77.

increased consumption

The marked increase in the consumption of fertilisers last year is stated to have resulted from various factors. The more important among them have been: (i) favourable weather conditions in most parts of the country; (ii) better input/output price relationship because of the reduction in the prices of fertilisers and an increase in those of the crops produced; (iii) expansion in the area under high-yielding varieties of seeds; (iv) augmentation of the area under assured irrigation; (v) sustained promotion and extension support by industry and the government in general; and (vi) better and timely availability of the nutrients in most parts of the country according to the preferences of agriculturists.

Even though the overall increase in consumption last year in absolute terms around 304,000 tonnes was much better than in any previous year, it was still well below the annual level of 500,000 tonnes considered necessary according to the World Bank to sustain the desired growth in our agricultural production. This should suggest that a long leeway has yet to be made up in the use of fertilisers.

major constraints

According to the Fertiliser Association of India, three major constraints continue to inhibit the growth in fertiliser consumption in the country. These are: (i) inadequacy, high cost and cumbersome procedures for the dispensation of distribution and production credit; (ii) inadequaey or lack of retail outlets in the interior areas; and (iii) lack of adequate penetration of fertilisers use in irrigated as well as rainfed/dryland areas. The FAI feels that concerted efforts need to be made to overcome these constraints, especially when the highest priority is being accorded during the current Plan period to agricultural development.

Along with the increase in the consumption of fertilisers, the domestic production of both nitrogenous and phosphatic manures has shown encouraging trends during the last year. There is no indigenous production of potassic fertilisers; the entire requirements of K_2O are being met through imports. The production of nitrogen went up from 1.509 million tonnes in 1975-76 to 1.862 million tonnes in 1976-77 and to two million tonnes in 1977-78. The growth in production of P_2O_5 has been from 319,700 tonnes in 1975-76 to 478,300 tonnes in 1976-77 and further to 670,000 tonnes in 1977-78. Whereas the entire additional production of P_2O_5 has resulted from better performance of the existing units, an overwhelming proportion of the increase in the output of nitrogen too has been due to improvement in the operation of the existing plants. No new capacity was added last year for the manufacture of P_2O_5. In the case of nitrogenous fertilisers, however, the addition to capacity last year was 156,000 tonnes—152,000 tonnes at Nangal through the expansion programme based on fuel oil and 4,000 tonnes at the Bokaro steelworks where ammonium sulphate is produced as a by-product. The addition to capacity in the nitrogen field, of course, could have been much more impressive had three more plants, namely, Trombay-IV, Sindri rationalisation and the Bhatinda project gone into production last year according to schedule. They are now expected to go on stream this year.

According to the reorganisation of the fertilisers manufacturing units into five zones—northern, eastern, central, southern and western—the manufacturing facilities available zone-wise in 1977-78 and the resultant production in that year are as follows:

('000 tonnes)

	Nitrogen		P_2O_5	
Zone	Capacity	Production	Capacity	Production
Northern	232	58	—	—
Eastern	738	284	36	13
Central	500	415	148	50
Southern	1,037	635	511	290
Western	714	608	347	317
All-India	3,221	2,000	1,042	670

The northern zone comprises Haryana, Punjab, Jammu and Kashmir and Himachal Pradesh. The eastern zone consists of Arunachal Pradesh, Assam, Bihar, Manipur, Meghalaya, Nagaland, Orissa, Sikkim, Tripura, West Bengal and Mizoram, the central zone of Madhya Pradesh, Rajasthan, Uttar Pradesh and Delhi, the southern zone of Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Pondicherry and the western zone

of Gujarat, Maharashtra, Goa and Dadra and Nagar Haveli.

The above table reveals that whereas the capacity utilisation in the case of nitrogen manufactured last year was as high as 85 per cent in the case of the western zone and 83 per cent in the case of the central zone, it was 61 per cent in the southern zone, 52 per cent in the northern zone and 40 per cent in the eastern zone. The low capacity utilisation in the northern zone can be attributed to the expansion programme at Nangal being commissioned just towards the close of the year and in the case of the eastern zone due to very low utilisation of the capacity at the old Sindri project and the Barauni, Durgapur and Namrup plants not performing even up to their 50 per cent capacity. In the case of phosphatic fertilisers, the capacity utilisation was as follows: western zone 91 per cent, southern zone 58 per cent, eastern zone 47 per cent and central zone 34 per cent.

The zone-wise consumption of all the plant nutrients last year was as follows:

('000 tonnes)

	Nitrogen	P_2O_5	K_2O
Northern	486.6	136.8	40.7
Eastern	306.1	65.2	49.5
Central	840.1	207.7	87.9
Southern	821.2	280.4	202.3
Western	406.3	157.0	92.2
Others	54.3	20.4	32.4
All-India	2,914.6	867.5	505.0

The shortfall in the indigenous production vis-a-vis the consumption last year was made up through imports. The total imports of nitrogen, P_2O_5 and K_2O last year amounted to 758,100 tonnes, 163,900 tonnes and 598,900 tonnes, respectively. The imports in the previous two years were of the order of 750,100 tonnes and 996,000 tonnes of nitrogen, 22,800 tonnes and 361,000 tonnes of P_2O_5 and 277,800 tonnes and 278,000 tonnes of K_2O.

Some fertiliser projects are now doing well in regard to capacity utilisation. Most of them, however, still are not achieving the targets set for them. A number of constraints continue to hamper fertiliser production. The major ones among them are inadequate supply of power, frequent power cuts or breakdowns, voltage fluctuations and dips, mechanical breakdowns in plants and equipment, difficulty in getting timely supplies of spares and services and, last but not the least, labour problems.

* *

The misgivings entertained in some circles that the government is frittering away the foreign exchange resources of the country on large imports and is not utilising them judiciously for fostering the economic development of the country were dispelled by the Finance minister, Mr H.M. Patel, last week. The Finance minister assured the Rajya Sabha that these resources were being used in the most judicious manner by importing raw materials, technology, intermediate goods and capital equipment in accordance with the national policies and programmes. The other commodities which were being imported were also needed in the overall national interest. As there was an inevitable time lag between the accrual of reserves and their utilisation, the reserves were being suitably invested by the Reserve Bank of India for such intervening periods.

Mr Patel, of course, declined to provide information on how the reserves were deployed. He only indicated that to some extent they were being invested in certain types of securities which could be drawn upon at any moment. Every care, he emphasised, was being taken for the safety of these funds, their liquidity and yields. The reserves were held outside the country in certain international reserve currencies of the countries where it was allowed. Most of the reserves were in American dollars. The interest rate secured on these reserves, which till lately was about 6.5 per cent, had now gone up by about one per cent, revealed Mr Patel.

The small dip in the foreign exchange reserves recently, it is learnt, was caused by such factors as the revaluation of rupee in terms of the dollar and purchase of gold from the IMF. The likely increase in the deficit on trade account from about Rs 580 crores last year to over Rs 1,200 crores this year is not expected to make any dent on reserves, as inward remittances by Indians abroad and earnings on account of shipping, tourism, air transport, insurance, etc., continue to be buoyant.

* *

The Congress(I) succeded, in cooperation with the Congress and the CPI, in exploiting the minority status of the ruling party in the Rajya Sabha by getting adopted last week by that house a motion on a probe into the charges of corruption against the members of the families of the prime minister, Mr Morarji Desai, and the former Home minister, Mr Charan Singh. The motion approved by the house, however, was not the original one sponsored by the Congress (I) member, Mr N.P.K. Salve, which sought setting up of two commissions of inquiry to probe these charges. It was amended by Mr Salve himself through accepting an amendment tabled by the CPI leader, Mr Bhupesh Gupta, to the effect that a committee comprising 15 members of the Rajya Sabha should be appointed by the chairman of the house for appropriate and necessary action to be taken on the allegations. Whereas Mr Gupta's amendment was carried by 104 to 78 votes, the amended motion was adopted through a voice vote. Interestingly enough, the charges read out by Mr Salve did not contain any specific allegation against the members of the family of the former Home minister.

In the Lok Sabha, however, where the Congress (I) member, Mr V.P. Sathe, had tabled a resolution similar to that of Mr Salve in the upper house for discussion two days after the Rajya Sabha debate and for which a special session of the house had been called, was not pressed and was withdrawn before the discussion on it could be started. Although Mr Sathe explained that he did not want to move his resolution because the Rajya Sabha was already seized of the matter, it hardly carried any conviction with the members who assailed Mr Sathe for withdrawing it. If the voting pattern of the Rajya Sabha was to be repeated in the lower house, Mr Sathe's resolution apparently would have been rejected, for not only the ruling party has an absolute majority in this house but would have also received, as it did in the upper house, the support of the DMK, AIADMK aud CPM members.

Management of public enterprise in Europe and its lessons

Prof P. N. Agarwala

The concept of holding company has been accepted in the country for various industries. The author attempts an analysis of this concept in some western countries and believes there is need for an overview of the relationship between our corporation boards and the administrative ministries to develop a management culture and generate surpluses.

THE PUBLIC sector in our economy has grown rapidly in the last 30 years following independence even though in certain fields like public utilities, electricity, ordnance factories or railways it had come to occupy a dominant position even before independence. The public sector today accounts for an investment of over Rs 11,000 crores and occupies a important position in many of the core and basic industries such as coal, steel, power, heavy machinery, power generation equipment, fertilizers, oil-prospecting, exploration, refining and marketing, ship-building, airlines and a host of other industries including machine tools, telecommunications, electronics, etc. If one were to take into account the investment in the railways, electricity boards, ordnance factories and other public utilities, the total investment in the public sector would exceed Rs 25,000 crores presently, which would be more than twice the entire amount invested in the private sector including foreign investments.

out of the red

Although many units in the public sector came up in the 'fifties and the 'sixties it is only in the last three or four years that the public sector has been able to come out of the red. Even now the performance of the public sector could be much further improved. Let us analyse how the public enterprise system works in developed economies and what lessons, if any, it has to offer to the developing world, particularly India.

Following World War II, the Labour government in Britain ushered in the policy of nationalisation. It nationalised two of Britain's premier industries viz, coal and steel. Various other public utilities like British rail, the postal service, gas, airways, electricity, national bus, national oil (part of North Sea) and national freight have also over the years come to form part of the nine major nationalised industries of the UK. The nationalised sector now accounts for a fifth of Britain's total fixed investment. These enterprises and utilities occupy dominant positions in the British economy, and account for a third of all plant and equipment bought by British industry. For several important sectors, the nationalised industries are the sole domestic consumer in UK and their influence on

POINT OF VIEW

economic performance is, therefore, quite substantial. Their policies arouse a great amount of public concern and their dominant role as employers has wide social/political implications. Their dependence on government as shareholder, banker and paymaster permeates their operations.

A study of the working of the nationalised industries in the UK and other European countries is therefore, of great relevance to developing countries and might enable us to learn from their trial and error, successes and failures and to fashion our own style of public sector management in a manner which would produce optimal results and generate surpluses for achieving self-generating growth.

In the first 20 years of UK's experience of nationalised industries, the policy followed was broadly enunciated by Herbert Morrison as 'Arms length'-ministerial powers-company board appointments and provision and control of finance. This loose framework of statutary control has not changed substantially since the original statutes of 1946-49. There has been a gradual development of formal structures and systems of control in response to problems and priorities over the years. In the 1950's a select committee on nationalised industries was created by British parliament. In the 'sixties attention was focussed on resource allocation, guidelines on pricing and investment criteria and financial objectives were introduced and review of the public expenditure was instituted in the 'sixties and the 'seventies.

the white paper

In 1967, a white paper spelt out the general review of the economic and financial principles of all nationalised industries. The white paper intended to show how investment, pricing and efficiency would be taken into account in settling financial objectives and set out the criteria for investment appraisal and pricing policy. These principles were endorsed by the select committee on nationalised industries and were broadly accepted. However, in actual practice, this new approach did not work out and in the first half of the 'seventies, relationship between government and the nationalised industries deteriorated sharply not because of disagreement and uncertainty over the plans of particular industry but mainly due to the price restraint policies of the early 'seventies and the government's desire to contain inflation.

For the first time, the post office and the gas and electricity sectors were forced into large deficits and had to be subsidised to cover their losses totalling over one billion pounds. Grants already paid to the British rail for maintaining services over certain key sectors which are not

wholly self-financing escalated as the fares and charges were already down and the deficit increased. The financial targets of many of the nationalised industries had to be abandoned in this context.

The NEDO examined the public sector enterprises and published their reports on November 18, 1976. The NEDO reports are searching and highly critical of the relations existing between the industries and the government. The NEDO report highlighted (a) lack of trust and mutual understanding between those who run nationalised industries and those in government who are concerned with their affairs; (b) confusion about respective roles of boards of nationalised industries, ministers and parliament and seriously blurring accountability; (c) no effective system for measuring performance of nationalised industries and assessing managerial competence, and (d) lack of understanding in government of the problems of industrial management. Some assurance of stable objectives and policies is a pre-condition of efficiency. In the main nationalised industries, plans for investment, technology and manpower are long-term and external, extending beyond the life of a single parliament. Until a framework is established within which management can plan with confidence, nationalised industries will not be able to operate at anywhere near their potential. The personnel of nationalised industries do not relish government interference based on short-term political expediency.

In 1974, the government agreed to put the nationalised industries back on to a sound economic and financial footing and allowed substantial price increases to phase out the subsidies necessitated by the earlier price restraint. As a result, the industries now are generally in a much stronger financial position than they have ever been. A more stable and proper climate of relationship appears to have been lately established. The nine nationalised sectors vary in size, products, competition, administration, market, financial strength and social significance. The energy and transport industries are subject to overall policies and British aerospace and British ship-builders have brought about a significant shift in the plans of nationalised industries. Steel, aerospace and ship-building along with British Airways and British National Oil Corporation are operated in highly competitive international markets and their prices are largely set by international trading conditions. They have, therefore, to have the necessary flexibility to quickly respond to opportunities and competitive forces. The NEDO report had opined that the financial structures and disciplines in the public and private sectors are very different. The importance as employers, suppliers and customers of nationalised industries and economic and social implications of their actions make it inevitable that government should take a close interest in their strategies.

The NEDO studies highlighted the need to base the relationship of nationalised industry with government on trust, continuity, accountability and commitment and pleaded for a new approach. It opined that strategic plans for nationalised industries must be a combined operation.

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ed a series of technological changes on a scale which has fundamentally altered the structure of these industries. Size of conventionally fired electricity generating sets has increased from 60 MW to 660 MW and two successive generations of nuclear technology have been implemented. Since early 'sixties British Gas has been transformed into a distribution network of North Sea natural gas. Post office is set to introduce integrated electronic exchange system. The Steel Corporation has moved out of open hearth system to basic oxygen system. New coal faces and mechanisation of coal mines are planned. British Rail has implemented technological advances in track electrification, signalling and freight. British Airways have introduced new generation planes like Concorde. In electricity and gas, labour productivity has been raised in the last two decades. Post office, electricity and gas have been biggest borrowers; since 1971 there was a steep decline in internal funding.

radical change

The NEDO report had recommended a radical change in the current institutional arrangements and had advocated a policy council responsible for strategy and a corporation board acting as the executive authority. The government in its white paper brought out in March, 1978, agrees that in dealing with the nationalised industries, its main concern has to be with the strategic and major issues than with the day-to-day management. It also broadly accepts NEDO's plea that evolution of strategic plans should be a combined operation involving consultation between the interested groups.

The government, however, has not accepted the NEDO's proposal for separate policy councils and corporation boards. The government feels that the minister should have the power to give a corporation board general or specific directions on matters which appear to him to affect the national interest. But that in all such exigencies it would seek parliament's approval and would accept accountability. As a measure of safeguard, the minister would not be able to issue a specific direction before he had consulted the industry in question and would be required to publish the statutory instruction issued by him and also estimates of the extra cost, if any, to the industry that the implementation of such direction would involve. If the industry did not agree with this, their estimate would also be published with the government's comments on it.

close relationship

It would not henceforth be possible to make specific directions which would have the effect of undermining or restricting the existing statutory powers of an industry. The relationship between government and nationalised industries is close and there continue to be many issues on which the industries and the government would be able to reach agreement without the issue of specific direction and without any confusion of responsibility or accountability. The ministers do not wish to intervene in the day-to-day management of the enterprise. The composition of each board would be settled on an industry-by-industry basis by the minister concerned after discussions with the chairman. The government has also decided that in some industries a civil servant from the administrative ministry and in a few cases from the Finance will be appointed on to the board after due consultation with the chairman concerned. In some nationalised industries like the post office, union members have already been associated at board levels.

For many years the development plans and investment programmes of the nationalised industries spanning periods of five years ahead have increasingly been formulated within the wider context of both the industries and the government's objectives and policies. This process involves a continuing dialogue on a long-term strategy, medium development plans and annual operating plans of budgets. While industries look to the government for guidance on industrial policies and economic prospects, the government looks to the industry for data on markets, supplies and production. In the energy sector a joint working group has contributed materially to the harmonisation of planning time-tables and procedures.

The government considers that the corporate plans and the examination of strategic options should have a central place in the relationship between the nationalised industries and their administrative departments. From time to time, there are major long-term reviews of overall policies covering either the future strategy of an industry or some crucial aspect such as a technological decision or the choice of a new system. The ministers have also agreed that they would give the industries by the end of each summer, rather than at the end of the year, approval for 100 per cent of their agreed investment programme for one year ahead, 85 per cent for the second year and 70 per cent for the third year, and this new procedure would help the nationalised industries directly by enabling them to get on with the job of implementing and rolling forward their plans.

monitoring performance

The government feels that it is the responsibility of each board to monitor performance and efficiency within its industry and to account effectively to parliament and the public. It has asked the boards to publish in their annual statements information on how the corporation is measuring up to its objectives, the main points in the corporate plan and the government's response, the financial targets accompanying the parliamentary statement, including any sectoral and other suitable points in terms of performance and service, and any general or specific directions given to it.

The industry would compare its financial performance against its targets and also its progress against its public and service aims. This would help the select committee of the nationalised industries and parliament generally in examining and monitoring the performance of the industries and of the departments dealing with them. The government expects the consumer councils to play an important role in monitoring the industry's responsiveness to the needs of their customers and making recommendations on the services they give; in a number of ways consumer council arrangements have been strengthened. The government also expects that in the normal exercise of their management functions industries will continue to take initiative in calling in management con-

sultants to undertake special studies when necessary.

A considerable part of the capital requirement is financed by advances from or guaranteed by government and in 1976-77, these represented about 15 per cent of the total public sector borrowing requirements. Nationalised industries have a pervasive influence throughtout the economy in investment, employment, industrial costs and the costs of living. The government intends that the nationalised industries will not again be forced into deficits by restraint on their prices as happened in the early 'seventies and that when help has to be given to poorer sections of the community, it will be given primarily through social security and taxation systems and not by subsidising nationalised industries' prices. Adequate level of nationalised industries' profits is essential to the continuing well being of the industry, the customers and the economy as a whole. The capital and other resources invested in the nationalised industries should produce a return to the nation comparable to that which they would have achieved elsewhere in the economy. The government recognises that otherwise there will be a misallocation of resources as they will not make their full contribution to the growth of national output. Pricing and output decisions should be reasonably related to long run marginal costs including the opportunity cost of the investment resources involved. The opportunity costs of capital has been estimated by government as five per cent in real terms before tax. Each nationalised industry will be given public guidance on the overall financial performance expected of it for a period of years ahead and it will be accountable for its performance measured by targets.

The government has asked each industry to start publication of historic performance series. Publication of the financing requirements and the volume of cash limits is a useful step forward towards the objective of greater public accountability.

In a nutshell, the government decided to put the nationalised industries back on to a sound economic and financial footing and the price restraint policies have been discarded. These industries are at last evolving a more workable relation with the administrative ministries and the ministers and the select committee on public undertakings of the parliament. The British government has come round to the view that the 'Arms length' approach originally advocated by Herbert Morrison has outlived its utility and that nationalised industries now need to be given due autonomy within their well-defined sphere and broadly operational frame in day-to-day management subject to overall control within the broad guidelines laid down by the government. This is clearly reflected in the white paper of 1978 which was preceded by consultations held with the boards of the nine nationalised industries. Some of the features outlined in the white paper regarding the responsibility of the corporation boards to spell out their financial targets and to bring out their corporate plans together with their performance marks a significant step forward and should be of direct interest to the management of public enterprises in developing countries, particularly India.

In France also the nationalised industries have come to occupy a prominent

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place in the economy and an interesting aspect is that the mutual relationship existing between the boards of the nationalised industries and the heads of the administrative ministries and ministers has been found to be close and harmonious as many of the chairmen and top executives of the corporation boards are drawn from a similar environment and educational background leading to a much greater rapport. The French civil and administrative services are very highly professionalised. The French economy has undergone a radical transformation in the years following President de Gaulle's coming to power in the late 'fifties. From a largely agricultural country till the mid-'fifties France is now a leading industrial power of western Europe and agriculture now employs only 11 per cent of the French populace.

performance audit

In France, there is a court of audit which has statutorily been established by the government to undertake performance audit of the public enterprises. This body is composed of eminent professionals and is given complete autonomy. Its recommendations carry great weight with the government. It not merely carries out a proprietary audit as is the case with most enterprises in India but a performance audit in the fullest sense of the term. Sometimes its recommendations have lead to an overall change in the management of the public enterprises. The French government has lately entered into a social contract with various public undertakings spelling out in concrete terms what it expects from them over the next three to five years and also outlining the amount of financial investment that is proposed to be undertaken and the extent to which it would be internally generated and supplemented by borrowings and drawn from government funds. Labour relations also have been more cordial in France.

Both in Sweden and Austria the concept of a large holding company in the public sector has been worked well. The Statesforetag, a holding company in Sweden, has by and large worked well although in the last three or four years it has been facing problems particularly in respect o the iron ore mines that it is managing through its subsidiary up north and these have been plagued with the recession facing the iron ore producers the world over. In other sectors, the Statesforetag has been able to do reasonably well.

Austrian experience

The OIAG, in Austria, despite the recessionary trends of the past three years in western Europe has been able to keep down the losses to a minimum and has on the whole operated well. It accounts for over a quarter of Austria's industrial economy directly, and indirectly for nearly half of its industrial output. The holding companies in both the countries are managed by professionals and are basically concerned with key appointments in the subsidiaries and their financial results and monitoring of their progress. They have extended a great deal of autonomy to their subsidiaries in day-to-day operations and hold only monthly or bi-monthly meetings to review the progress and tackle any problems or major operational matters.

The IRI and the ENI in Italy represent some of the largest holding companies in the world, more particularly the IRI which is a vast conglomerate of a wide spectrum of industry while ENI is mainly concentrated in the area of petrochemicals. The IRI had an impressive run of successes right from its start in 1933 following the economic callapse of the 1930's. The Italian public sector has no doubt come under heavy strain following the oil crisis and uncertain political situation but has been showing a high degree of resilience lately.

The public sector in India grew largely as a result of the commitment of the ruling party to achieve commanding heights of the economy and to usher in a socialistic pattern of society. The public sector was also conceived as an entrepreneurial development to facilitate the growth of basic and heavy industry in which investment from private sector was not expected to be forthcoming in full measure owing to the long gestation period and the low returns attendant on it. Many of the public sector organisations were manned originally by administrators drawn from the various civil/administrative, railways, defence and other services that implanted an administrative culture into the working of the public sector and also introduced some of the financial and other rules from their earlier administrative experience.

The policy of manning the top posts of the public sector from these various services continued all through the 'fifties and the 'sixties even though the industrial management pool had been constituted by the government in the late 'fifties and the one and only recruitment to it had been made by the UPSC in 1958-59. It was not given a fair chance to grow up despite the need for managerial talent which has been scarce in India all through.

managerial cadre

In early 'seventies a decision was taken to build up managerial cadres from within the various public sector organisations at various levels. From mid-'sixties, the top personnel were first picked up from a list which had been drawn up by a committee consisting largely of administrators and later in the early 'seventies a board was created consisting of four secretaries and four chairmen of large public sector enterprises and a set of four schedules was created for the top posts.

This practice also gave way to a public enterprises selection board which now makes appointments to the top posts in these enterprises. The Bureau of Public Enterprises was created to coordinate the working of the various public enterprises in the 'sixties and has in the recent years been playing an active and dynamic role in monitoring the production, inventory, construction and other aspects of the various public enterprises.

Although a white paper on the public sector was expected to be issued quite some time back, it is yet to see the light of the day. The need, therefore is, paramount for spelling out concretely the relationship existing between the present boards and the administrative ministries on the one hand and the accountability and autonomy of the enterprises on the other. The Administrative Reforms Commission had no doubt made its recommen-

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dations over a decade ago but, as the British white paper of 1978 shows, there is perhaps need for a review in the light of the experience of the past decade and the dominant position occupied by the public sector in the present-day economy.

The concept of holding company in India has been attempted in the case of the steel and coal industries. This concept can be made to work provided the relationship between the subsidiaries and the holding companies are clearly defined and the holding company concerns itself with providing the top and key personnel, finance and other common services and delegates the job of day-to-day management to the subsidiary companies.

There is a clear need for an overview and complete review of the relationships between the corporation boards and the administrative ministries/parliament and between the holding company and subsidiaries. If a workable and satisfactory relationship can be worked out as in the UK, France, Sweden and Austria in consonance with the Indian environment, the public sector may be able to develop the management culture and generate the surpluses that the people have been hoping for all these years.

Tears in the tea cup

N. C. Kankani

The author advocates withdrawal of export duty of five rupees per kilo which has resulted in a sharp drop in the export of Indian tea and a slump in the internal market. He believes this is going to affect the production of tea on which depends the livelihood of millions of scheduled tribes and backward classes. With reduced production, revenues of the central and state governments also will be affected, says the author.

WHILE THE Planning Commission is busy in finalising the sixth Plan for the tea industry with a projection of doubling the tea crop, from 562 million kgs, it had in 1977 to 1300 million kgs by the turn of the century, tea bushes continue to weep in the plains of Assam and Bengal and on the hill slopes of Darjeeling, Tamil Nadu and Kerala. It is reported that the centre is ear-marking a credit of Rs 50 crores for the tea industry for its development programme to reach the production target of 1300 million kgs by 2001. Perhaps the government is guided by the Food and Agricultural Organisation (FAO) in its analysis and forecast that the world demand for tea is likely to touch 697 million kgs this year against the supply expected to be of the order of 685 million kgs. This would create 12 million kgs shortage in the world market. While making this assessment the government is perhaps oblivious of the fact that it has already insulated the internal price of tea for the domestic consumer from the international inflation without insulating the producer from internal inflation. The operation of the forces of demand and supply in international markets has been sealed by a penalty of five rupees per kg on importers of Indian tea. Therefore any shortage in the world market and the resultant influence on tea prices in importing countries has to be more than five rupees per kg to be operative for its impact in this country.

Last year we produced 562 million kgs out of which 220 million kgs was exported leaving a balance of 342 million kgs within the country for internal consumption. Around 300 to 310 million kgs was consumed in the country leaving a buffer stock of 32 to 42 million kgs.

As any other agricultural commodity, tea is a seasonal crop. During seven months (April to October) alone, India produces around 70 million kgs per month whereas our internal consumption is only 25 to 27 million kgs. The surplus of production over consumption has always found its way in exports and to some extent in building up pipe-line stocks with the trade in the country.

The export demand for Indian tea would generate only if the other major producing countries such as Sri Lanka, Indonesia and Africa produce lesser quantities of tea to increase the international price by more than five rupees as compared to tea prices prevailing in our country, to attract orders from the countries wanting Indian teas. This situation is fully reflected in the sharp drop in exports of Indian tea during the current year.

With a carry-over stock of 32 million kgs from last year, the additional monthly surpluses being created during April to October of the current year, we now witness an indigestion of excess tea in the internal market, manifested in a crash in auction prices at Calcutta, Siliguri, Gauhati, Cochin and Coonoor centres.

psychological paralysis

The operation of Essential Commodities Act for a commodity which is available in plenty has psychologically paralysed the whole trade, so much so that the wholesalers as well the retailers of tea are now holding with them the minimum stocks, lesser than their usual holding capacity, which in turn is fully reflected in heavy withdrawals (unsold teas) in auctions all over the country. Normally the trade keeps two months' stock in the pipeline, which has now perhaps come down to one month's stock. This throwback of one month's stock of about 25 million kgs from the pipeline (from producer to retailer) tentamounts to extra production for the purposes of demand and supply within the country.

Ultimately it is the producer of tea who is, willy nilly, obliged to carry the surplus stocks of tea in his factories, godowns and warehouses which are now almost full to their capacity. With about 50 million kgs extra production over consumption every month to continue up to October, it could be anybody's guess as to what would be the fate of such huge accumulations with the producer or the trade. Who will finance these stocks and what shall be the ultimate mode of disposal of these teas deteriorated in quality during its prolonged storage. This

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is the most unprecedented phenomenon now prevailing in the country.

Someone has to drink this tea. Who will drink this surplus left after fully meeting the requirements of Indian consumer? Our country is not affluent enough to dump the excess in the Arabian Sea or the Bay of Bengal. Obviously we shall be obliged to export at a time when:

(a) Other producing countries would have captured our traditional markets and consuming countries would have developed a taste for other than Indian tea;

(b) our tea would have deteriorated in quality due to long storage;

(c) importing countries would be in a position to dictate their terms; and

(d) as best of the teas are now available around Rs 8 to 10 in auctions, the Indian consumer may drink away most of the exportable type, leaving the non-exportable quality surplus for export at end of the the year. This may not find any buyer abroad at any price.

This would also lead to a very heavy carry over of stocks to the next year which, in its wake, would create a series of complications for the industry, for the consumer, for the government and for the rural labour employed in the industry.

In a situation of plenty, the concertina between top-bracket teas (meant for export) and average/low grade teas becomes wider. Due to the handicap of five rupees per kilo in export duty, when top quality teas, in wholesale, are available around eight to 10 rupees, the average Indian consumer does not even have a look at low grade ones, except at a throw away price. This apart, encouraged by high prices for poor teas witnessed during the last year, most producers have well geared their harvesting and manufacturing processes to higher production with sizeable drop in standard of quality, and the market is thereby flooded with non-quality teas, not fit for exports even without the handicap of the duty of five rupees per kg.

Latest auction reports within the country reveal that the bulk of the "above-average" quality teas are selling between Rs 8 and 10 per kg (leaving aside a dozen top quality marks) and rest of the 'average' and 'below average' teas fetching between Rs 5 and Rs 8 per kg. Industry is therefore incurring heavy losses for every kilo of tea that it is producing at a cost of Rs 12 per kg. This is creating cash-flow problems to keep the gardens operating, and before the year closes there may be numerous gardens on the sick-list.

This is in turn slowing down the cultural operations in tea cultivation, not to talk of development activities, culminating in the deterioration in the health of the tea bushes as well as in the soil conditions. The immediate economy and discipline in expenditure in any tea garden shall be reflected in limiting/reducing the inputs of fertilisers, control measures for disease and weeds which in its turn shall reduce production for coming years. The stalwarts of tea industry as well the government who were speaking of 30 million kgs annual corp increase to reach the target of 1300 million kgs by 2001 AD may be obliged to review and revise their forecast of our country's crop at 500 million kgs for the next year. Any producer has to

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think twice to throw his good money, saved after payment of heavy duties and taxes, into the soil and tea bushes of his garden, be it weed control or pest control or pruning or other cultural work, if its return is likely to come back to him at a depreciated value.

The neglect of the tea industry's assets would naturally be a national loss and, under the circumstances, any parallel talks of subsidy or developmental finance by the government would only be a futile exercise.

In its desire to make tea cheap to the Indian consumer, out of alignment with the price index of other commodities, government might bring down the total Indian production which in turn shall increase the cost of production. In the long run, no government can expect any producer to continue running his business at a loss and it is ultimately the consumer who has to pay the price for wrong planning. With the current policy of the government, tea production may not be keeping pace with the rising consumption and the day may come soon when tea might have to be declared a rationed commodity.

During the year 1977, all those concerned with the tea industry, including the central and state governments as well as labour have seen a time of prosperity. Central and state governments have shared between them two-thirds of the profits earned by tea companies in the form of income-tax and agricultural income-tax, over and above the export duties and excise duties for the centre and increased sales tax earnings for the state governments on larger turnover. Now with little or no profits the central and state governments shall be the worst sufferers in the collection of their revenues.

Tea is a rural based plantation crop employing over one million workers and supporting five million members of their families. Most of them are backward or scheduled class. All of them could share in the prosperty of the industry during 1976-77 in higher wages, more and more amenities and increased bonus. Therefore with a setback in the working of the industry and its tea-gardens, the worst hit would be the labour who toil hard in the interior of the rural areas as it could not expect the industry to make any increase in its wages or pay higher bonus when it shall be running into losses.

Under the circumstances, while the tea bush would continue to weep, there would be many more partners in this industry, who shall have to mourn their plight. Unfortunately this self-imposed discipline in penalising every kilo of tea with five rupees per kilo export duty would prove very injurious to our long term interests. The industry's economic collapse will prove very costly to our nation. Now that there is plenty of tea available within the country there should be a pragmatic approach in withdrawing the export duty which has outlived its utility. Let the forces of demand and supply for the internal as well international market prevail for the common man's drink. Let the tea-cup continue to cheer everyone connected with it.

Set-back to Indian exports to Britain

R. J. Venkateswaran

The Indo-British Economic Committee has set up a standing committee to review continuously the progress and problems in promoting mutual trade. The author suggests that this standing commitee should without delay go into the causes of the sharp set-back in our exports to Britain and take prompt measures to remove the bottlenecks.

INDIA'S EXPORTS to Britain in the current year have received a sharp set-back. According to the trade statistics, issued by the British government, Britain's imports from India in January-March 1978 amounted only to £83 million compared to £93 million in the same months of 1977, a fall of 12 per cent. On the other hand, Britain's exports to India rose by about 26 per cent from £65.44 million in January-March 1977 to £82.27 million in the similar period of 1978. India's favourable balance of trade was £0.75 million in the first three months of 1978 against £27.61 million in the same months of 1977. It may not be necessary to attach too much significance to the export performance for just three months. But it should be realised that the decline in our exports has covered a wide range of goods and, in many of them, the fall in the offtake has been substantial.

In recent years, many high-level delegations both under official and private auspices have been exchanged between India and Britain and there have also been several seminars and workshops for promoting trade and industrial collaboration. As a result, various products have been identified which have good prospects for exports and steps have been taken to remove the impediments to trade. How is it then that our exports to Britain, far from increasing steadily, have been declining? It is worth noting that in the first three months of 1978 it is our traditional items, which bring in sizable amounts of foreign exchange, that have been affected. These were tea, jute fabrics, oilcakes, leather, cotton yarn and groundnuts as well as other edible nuts.

The import of Indian tea into Britain fell from 29,428 tonnes in January-March 1977 to 10,119 tonnes in the same months of 1978, the fall in value being from £28.3 million to £14.5 million. However, there was an improvement in the unit value from £963.87 to £1435.41 in this period. It may be recalled that in the full year 1977 the export of Indian tea to Britain showed an increase of nearly 95 per cent over the export of the previous year in terms of value, rising from £58.4 million to £113.4 million. There was also an impressive improvement in the unit value from £883.8 in 1976 to £1371.23 in the next year.

How then did Indian tea receive a serious setback in Britain in the first three months of 1978? Britain's total imports of tea in this period declined by 34,436 tonnes compared to the preceding year. But the fall in imports from India was as large as 66 per cent compared to

the overall decline of 46 per cent. The Tea Board and the industry should enquire into this matter and take appropriate measures to improve our competitive capacity. The industry has been urging the government to abolish the export duty of Rs 5 per kg which is being imposed with effect from April 1977. The Commerce ministry should consider whether this levy has become a handicap to export promotion.

The ministry should remember that other tea producers have been making rapid headway into the British market. For instance Britain is now the biggest importer of Kenyan tea. In 1976 Britain bought 28,200 tonnes of Kenyan tea. Unlike India where the tea industry is burdened with heavy taxation and various other onerous responsibilities, in Kenya and other countries of Africa, the tea companies are able to operate in a manner which facilitates their rapid development. As J. Thomas & Co have observed, "The African tea industry with the assistance of a sympathetic establishment sans taxes, levies and duties of an inordinate nature, has grown from strength to strength. With its vast but yet untapped resources, the possibilities for progress seem limitless". New Delhi therefore cannot afford to be complacent about the tea market in Britain. The Tea Association of India said recently that about 30 per cent of our tea export was going to Britain and that the government should be cautious in dealing with the London centre.

Among the other Indian goods whose offtake by Britain slumped heavily in January-March 1978 compared to the same period of 1977 were oilseeds cake and meal from 35,880 to 11,249 tonnes, cotton yarn from 1679 to 174 tonnes, coir yarn from 367 to 247 tonnes and edible nuts from 1283 to 675 tonnes. In the first three months of 1977, Britain had lifted 14,253 MT of groundnuts but there was no import of this item in the same months of 1978. Britain imported our travel goods and handbags valued at £353,000 in the first three months of 1977 but there were no imports in January-March 1978. However, Britain's offtake of un-manufactured tobacco rose sharply by 180 per cent from £ 1.69 million in January-March 1977 to £ 4.78 million in the same period of 1978. Import of castor oil amounted to 1913 tonnes in January-March 1978 compared to 394 tonnes in the full year 1977. Britain's imports of some other Indian goods in the period under review also improved such as leather footwear, hand tools and a few other engineering goods. But our overall performance was, of course, disappointing.

One can understand the set-back to our exports due to uncompetitive prices or similar factors but it is a matter for regret that the policies and procedures of the British government should be responsible to some extent for affecting our earnings of foreign exchange. For example, Britain's imports of garments, linens and other furnishing articles in January-March 1978 were only 848 tonnes against 2132 tonnes in the same months of 1977. Commenting on this performance, the Commerce department of the High Commission of India has observed as follows: "One of the prominent reasons for dislocation in the textile trade has been the Bank of England's regulation whereby an irrevocable letter of credit can be opened only

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after issue of an import licence by the British department of Trade. The import licence in turn is issued on production of an export certificate from India. As the export certificate is issued when the consignment leaves India, a vicious circle has developed whereby importers suffer by having to pay demurrage and exporters on account of the uncertainties in payment in the absence of an irrevocable letter of credit".

The Commerce department of our High Commission has said that attempts are being made to tackle this problem and evolve a new formula. But, considering the past experience it seems doubtful whether Britain will readily agree to adopt the appropriate measures to facilitate the exports from our country. It is relevant to note that in 1977 our exports of garments to Britain fell to 3191 tons from 4312 tons in the previous year. These exports consisted mostly of handloom blouses and leisure shirts. The prolonged cold weather and the brief summer affected the offtake of our garments during the last year but the quotas and other restrictions imposed by the government of Britain also contributed to this situation.

It is hoped that Britain will adopt a more helpful policy for the promotion of our exports especially in view of the fact that India's offtake of British goods has substantially increased in recent months. Many British goods are now having a better demand in India such as dairy products, pharmaceuticals, non-ferrous metals and diamonds and precious stones. It is significant that Britain's exports of unworked diamonds and precious stones to India jumped from £14.4 million in January-March 1977 to £30.1 million in January-March 1978, an increase of nearly 110 per cent. Other British products like electrical and non-electrical machinery, transport equipment, scientific instruments, chemicals and manufactures of metal can also have better prospects in India in the coming months provided their prices are competitive. The substantial liberalisation of India's import policy especially in respect of certain categories of capital goods should give opportunity to Britain to step up her exports to our country.

The Indo-British Economic Committee has set up a standing committee to review continuously the progress and problems in promoting trade between the two countries. This standing committee should closely review the latest trends in Indo-British trade and take prompt measures to remove the bottlenecks. It has been revealed that insufficient shipping facilities and excessive freight rates are also hampering our exports to Britain. These problems therefore deserve special attention. Britain has one of the most developed economies of the world and it is estimated that it is the world's largest trading nation, accounting for nearly nine per cent of the main manufacturing countries' exports of manufactures and for six per cent of the total trade between the market economies. Surely, therefore, Britain can afford to follow more liberal policies with a view to facilitating imports from such developing countries as India.

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V. Balasubramanian

THIS IS the second Independence Day anniversary on which Mr Morarji Desai has addressed the nation from the ramparts of the Red Fort, which is the privilege of the prime minister of India. The 12 months since the last anniversary must seem like 12 years for everybody including himself. For an old man of 82, which is what the prime minister is, this must surely be an enormous mental and physical strain. That he has borne himself so well speaks much for his willpower and stength of character and even more for the intensity of his faith in his own righteousness.

It is doubtful, however, that the electorate, which so confidently put the Janata party in power, has been equally able to take things in its stride. There is today a tremendous disenchantment in the land with the manner in which the Janata government has been conducting its affairs or the ruling party has been handling the mandate it has received from the people. When, during the general election campaign of February-March 1977, Mrs Indira Gandhi declared the emergence of the Janata front as a "khichri" affair, many of us were hopefully dismissing her assertion as a case of the wish being father to the thought. Again, in the innocence of their post-emergency expectations, the millions of simple men and women who cast their votes for the Janata candidates believed that this massive expression of public goodwill and trust would act as an inspiration to the Janata leadership to reach out to higher levels of idealistic statesmanship.

'Patriotism' is apt to be a suspect word in public life, but in the special circumstances of the emergency and its aftermath, those who had exercised their franchise for the purpose of restoring democracy, civil liberties and the rule of law did see themselves and the new leaders whom they had voted into power as those who loved their country and honoured the values for which they thought it stood and therefore were different from those others who had betrayed their country and these values by imposing the emergency regime or supporting it or by casting their votes for another terms of power to the perpetrators of the emergency. It has not taken long, however, for this dream to end up as a day-dream. Even within the few months between the Janata government taking office and the Independence Day anniversary following that event more and more people were beginning to say that politicians were all the same in the similarly cynical, though not in the same exulting mood in which Somerset Maugham's whore in *Rain* spoke of the male of the species.

Where and when did the Janata leadership take its first false step? In my view, it committed its initial mistake which was also its greatest blunder, when it decided to follow to the letter the ordinary processes of law for punishing Mrs Indira Gandhi for the declaration of the emergency. In fact the Janata leaders were confused in their minds about the precise nature of Mrs Gandhi's betrayal of the nation but they foolishly thought of her crime as the excesses of the emergency rather than as the emergency itself. In this sense the Shah Commission and the host of other investigations and enquiries were a monumental irrelevance. There was enough documentary evidence or enough witnesses to be found in the cabinet secretariat and the Rashtrapati Bhavan to prove the point that the then prime minister and the president of India were in varying degrees parties to a conspiracy to the

declaration of the emergency without even a reference to the central cabinet. It certainly did not need a Shah Commission to dig up this particular fact. As a matter of fact, Mr Jagjivan Ram, the CFD ally of the Janata front, was in a position to give adequate information on this point. When this was the case it was wholly possible for the Janata leadership to punish Mrs Gandhi then and there for the malicious declaration of emergency. This could have been done by a bill being brought before parliament to deprive her of citizenship rights. Had this been done around June of last year, the political ground would have spectacularly firmed up under the feet of the Janata government and much of the inter-party troubles and tensions, which have brought it to its present sorry pass, would not have sprung up at all. It would then have been much less difficult for Mr Morarji Desai and Mr Charan Singh to function together with a shared political purpose.

Congress position

Again, it does not need hindsight to see that, had Mrs Gandhi and also such of her fellow ministers as those who had aided and abetted her in the conspiratorial declaration of the emergency been promptly deprived of their citizenship rights by a special act of parliament, the Congress party could have been helped to save itself as a viable democratic opposition in the interest of a healthy two-party system of parliamentary government. It was because the Janata leadership was dithering with the issue of sterilizing Mrs Gandhi politically she was able to salvage a powerful enough following for herself from the post-election wreck of the Congress party and, in less than a year, become not merely a nuisance but a menace to the post-emergency stabilization of our democratic polity.

How was it that such experienced administrators as Mr Morarji Desai and Mr Charan Singh or such enthusiastic politicians as Mr Atal Behari Vajpayee and Mr George Fernandes so dismally failed to act sensibly on this issue which was so critical to the future or fortunes of the Janata party? One answer, of course, is that the legal advice available to them was apparently both faint-hearted and feeble-minded. It is not at all unfair to say that the Law minister, Mr Shanti Bhushan, has been a great disappointment. Both before Independence and after, the Law department or portfolio in the central government had frequently been held by great legal luminaries. Nobody can claim that Mr Shanti Bhushan comes anywhere near to that tradition.

Lack of will

But it would be unfair to blame the Law minister alone for the poor quality of the legal advice which might have contributed to the government's fatal inaction in the matter of immediately divesting Mrs Gandhi and her fellow conspirators of their citizenship rights. After all there was no bar on the prime minister or the Home minister seeking legal guidance from other sources and it is obvious that they have in fact been consulting on many occasions legal experts who are outside the government. It is therefore clear that, apart from lack of proper legal advice or assistance, the government had also suffered from an inadequacy of political will or purpose.

Could this have been because there was never enough goodwill or trust among the key-men of the Janata party? Mr Jaya Prakash Narayan claims that he put Mr Morarji Desai and Mr Charan Singh in power. Acharya Kripalani also competes for this honour. Mr Charan Singh, however, says that it was his throwing in his lot with Mr Morarji Desai that clinched the issue and made it possible for the latter to be nominated as prime minister without a contest. Mr Jagjivan Ram believes and has often publicly declared that, if only a contest had been allowed to be held, he would have certainly run away with the prize. Mr Morarji Desai, naturally thinks that all this is rubbish and that he is prime minister by natural right as much as any hereditary monarch might have been king by divine right. For the public all this only means that, in this matter, at any rate, Mrs Gandhi's political judgment had been perfect and that, when she said before the election that the contenders among the Janata leaders would never be able to reconcile genuinely their rival claims for prime ministership, she was forecasting more accurately what was in store for the Janata party in the coming months than for her own party.

There was a chance that the Janata leadership could have forestalled the divisive tendencies in the government had Mr Charan Singh been given the position of deputy prime minister when the party assumed office at the centre. In years past, at the time when Lal Bahadur Shastri was chosen as prime minister and again on the two subsequent occasions when Mrs Gandhi secured the leadership of the Congress parliamentary party, I put the one unchanging question to the late Kamaraj. I asked him why it was that he had set his face against Mr Morarji Desai becoming the prime minister. His answer was also the same on all those occasions. He said that, in his judgment, Mr Morarji Desai would not be able to work smoothly with ambitious colleagues or potential rivals and that he would not be able to carry the team with him. In the event, it happened that Mrs Gandhi not only broke the government but also the party itself but this has not necessarily invalidated the assessment of Mr Morarji Desai by Kamaraj. On the contrary, as recent events have shown, the outstanding quality of Mr Morarji Desai's leadership of the council of ministers is his brittleness.

Babuji's veto

I have tried hard to understand why it was that Mr Charan Singh had not been made deputy prime minister. The popularly accepted explanation is that Mr Jagjivan Ram would have none of it. Was Mr Jagjivan Ram, despite his personal talents and the CFD contribution to the election defeat of the Congress party, either entitled to or really in a position to dictate his terms on those lines? In the then prevailing circumstances, while it was proper and profitable for the Janata party to utilize his undoubted political skills and great administrative experience in a senior position in the government, there was no reason at all for it to treat his views on Mr Charan Singh as a veto on the latter being publicly acknowledged as Number Two in the Janata hierarchy and the government. In any case, if there was a problem at all here, it could have

been solved by offering Mr Jagjivan Ram the office of the president of India. It is possible that, in that position, he would have been able to provide much useful political ballast to the central government without any infringement of costitutional proprieties. All these reflections, however, belong to ths past, although they will always have an ever-present relevance to the future.

Looking at things as they are here and now, it is clear that not many will share the prime minister's confidence that the Janata party will necessarily keep together or keep going in its present form. It is even less easy to agree with the view expressed in some quarters that Mr Morarji Desai has emerged stronger from the recent political developments in the party or government. Quite obviously the challenge to his leadership is taking many forms and is coming from several directions. No doubt, in the process, he is also rallying to his side a much larger following from the party that was previously thought to be responsive to his personal authority. The question is whether these trends will not destroy the solidarity of the Janata party as a composite instrument of government.

Split upon split

Both the former Jana Sangh and the former socialist elements in the Janata complex seem to be split both within their respective selves and as between themselves. Although at the time of writing, many leaders of the ex-Jana Sangh group and a large number of its members seem to believe that the survival of the Janata party can be assured only by their backing Mr Morarji Desai and his supporters, there are also other important leaders such as Mr Atal Behari Vajpayee who are clearly unhappy with the way the prime minister has been handling the fall-out from the dismissal of Mr Charan Singh and Mr Raj Narain from the cabinet. As for the ex-socialist group in the Janata party, it seems to be collectively less enthusiastic than the ex-Jana Sangh group about extending unreserved support to the prime minister. While Mr George Fernandes is generally believed to have thrown his weight in favour of cooperation with Mr Morarji Desai, Mr Madhu Limaye has come out openly and aggressively against certain aspects of the prime minister's leadership of the party and the government.

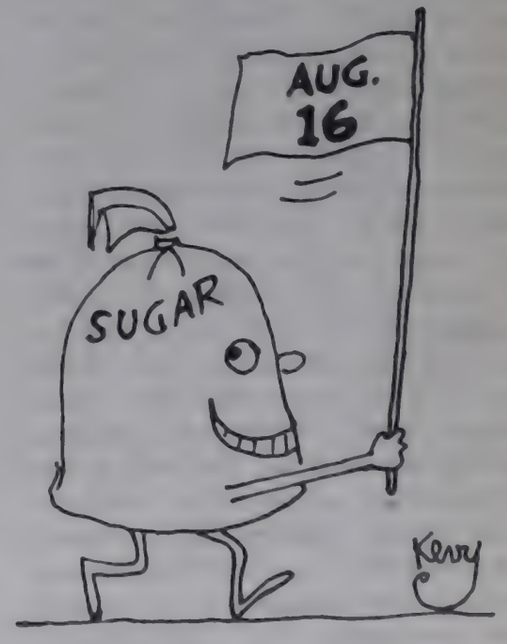
In these circumstances, dependable and solid backing for the prime minister could be expected to come only from the bulk of the erstwhile Congress-O members led by Mr Chandra Shekhar and the erstwhile CFD members led by Mr Jagjivan Ram. There is also the possibility that, under certain circumstances, the bulk of Congress (S) may decide to ally itself with Mr Morarji Desai and his supporters, with or without formally walking into the Janata party. If, however, the Jana Sangh influence continues to be dominant or even strong in the Janata party, many members of the Congress (S) may be considerably less warm than, say, Mr Y.B. Chavan and his close associates, about entering into any relationship with groups in the Janata party for the purpose of supporting or saving Mr Desai as prime minister.

Larger crisis

The Janata crisis, in fact, can be understood best only in terms of the larger political crisis which is enveloping all the major political parties in the country. To start with, the Congress(S) is convinced that the main threat to it comes from Congres(I). It seems to think that it can meet this situation only by finding allies through some means or the other from among the leaders or within the ranks of the ex-Congressmen who are now members of the Janata party. Its eyes are thus cast on both the Desai-Chandra Shekhar group and the Jagjivan Ram-Bahuguna group. There is, however, a difficulty. So long as the RSS influence is assumed to be strong in the Janata party, the Congress(S) feels that it will have to be very circumspect in making an approach to any section in the Janata party or in inviting an approach from it. This is largely because the Congress(S) believes that it will be suicidal to run the risk of forfeiting the confidence of the minority communities, since if it alienates these groups, it would be yielding further ground to the Congress(I), particularly in the northern states besides being weakened in its efforts to fight the CPI. Incidentally, the morale of the Congress (S) is not what it needs to be because many of its younger leaders believe that Mr Y.B. Chavan is becoming a liability to the party since he does not seem to command any longer the political skills, agility or swift-footedness needed to manoeuvre the Congress(S) out of its present confusion or contradictions.

RSS phobia

The Congress(I) quite obviously regards the RSS as the principal threat to its political and organizational recovery or revival. To a lesser extent the BLD loyalties operating in UP and Haryana are also considered to be a problem. Mrs Gandhi, however, is far from itching to take on her strongest enemy first. Consequently, the tactics of her party are now being directed primarily towards probing the relatively weaker spots in the Janata complex. The thinking seems to be that, with Mr Morarji Desai and Mr Charan Singh so readily obliging Mrs Gandhi by quarrelling between themselves, the Congress(I) should try to get as much political mileage as possible out of the Desai-Charan Singh clash. Hence the relentless exploitation of the Janata domestic quarrel over the 'corruption' issue. Incidentally the more the Janata leaders insist on washing their dirty linen in public the more difficult it will be for the Janata party and the Janata government to sustain at a high pitch the popular resentment against Mrs Gandhi



Freedom from control

and her accomplices for their abuse of their power and position for political or personal profits.

As for the RSS and the erstwhile Jana Sangh leaders and their men, the enemies to fight are the Congress(I) and the CPI(M) because the battles for mass support will be fought mainly among these three parties. Mrs Gandhi still has charisma while no one else has it. She also seems to have had a large measure of success in regrouping those Congress cadres which are continuing to be loyal to her despite the trauma of her party's rout at the central and state general elections of 1977. The CPI(M) is in control of the leftist alliance in the government of West Bengal and is sedulously spreading its hold in Assam and parts of Bihar. If the erstwhile Jana Sangh constituent of the Janata party is to counter the thrust of the Congress(I) and the CPI(M) along the ground level of politics in the states of northern India, the RSS has necessarily to pull its weight in favour of the Janata party being maintained in a reasonably strong position for resisting the resurgence of the Congress(I) or the growth of the CPI(M).

Viewed against these basic currents and counter-currents in the political situation, the day-to-day compromises which are being canvassed in the Janata party circles for holding the government together have an air of frivolity as well as fecklessness. It is indeed becoming more and more difficult for the people to be patient with the personal rivalries of the nonagenarian Janata leaders, or the factionalism which has played havoc with the credibility of the ruling party. This is unfortunate because, even under slightly less favourable political circumstances, the present government in New Delhi could have accomplished a great deal by way of the wise administration of the economy or through the forward-looking pursuit of social priorities.

Had the prime minister been less a prisoner of political circumstances he could even have had got for himself from the beginning a council of ministers of much superior quality, although his own personal prejudices and preferences might have come in the way of his doing this job fully as well as it could or ought to have been done. Again, while it is not easy even for the most determined loyalists to go into transports of delight over what has been done to promote economic growth in the last 16 months, it cannot be denied that a number of major policy decisions, by and large sensible, have been and are being taken to reduce political or administrative intervention in the functioning of trade and commerce. Controls on industry and restrictions on trade, whether domestic or foreign, are being continuously reviewed with a view to eliminating or easing the constraints on business activity.

It should not be difficult to identify the philosophy of the prime minister or recognize his not so invisible hand in all this wholesome development. Mr Morarji Desai therefore has every reason to feel bad that the political circumstances do not permit him to apply more of his mind and time to this essential task of liberating and invigorating the economy. The people have even more cause to feel sad that the prime minister and the government are not being allowed to do their best by their party's political troubles much of which are of its own making. However, for at least during some moments of this Independence Day anniversary, the *janata* of this land must resolutely treat themselves to faith and hope in their nation's future.

Janata rule sees the economy at the cross-roads

S. P. Chopra

A PERIOD of 16 months in the life of a nation is not very long but because the past 16 months followed the dark 19 months of the emergency, great expections had been aroused throughout the country. The birth of the Janata party as an amalgam of five political parties (which have failed to become one even today) was in itself a miracle. Even than, the Janata government has attempted to hammer out an economic policy which is broadly acceptable to a majority of its members and which has made a slow but hesitant move to bring about certain vital changes in the economy. While the resolutions regarding economic and industrial policies of the country spelt out the broad contours of the measures the government plans to initiate, the steps taken in recent weeks to free the sugar and textile industries from such shackles as had done great harm to them, are indeed clear pointers to its determination to eliminate needless controls. Earlier, the liberalisation in import policy and the removal of all restrictions on the inter-state movement of foodgrains were hailed throughout the country because they did away with restrictive policies which were the root causes of the growing malpractices and corruption in the country. Assisted by favourable monsoons, the agricultural sector of the economy gave a good account of itself but in industry, the performance was far below expection. Shortage of power, coal, and transport bottleneck put brakes on industrial growth. The labour situation was getting out or control in some sectors.

The Janata party took over the control of the economy last year at a time when the pace of economic growth had slowed down. The national income in 1976-77 had risen by a mere 1.4 per cent. With the increase in population at two per cent, real per capita income recorded a fall of 0.6 per cent. Understandably, the consumption rate dropped in stead of rising. However, the economy experienced the highest rate of saving largly due to the receipt of large foreign remittances and favourable balance of trade but the investment rate did not come up to the saving rate because of the restrictive policies pursued by the government during the emergency.

The Congress rule at the centre for nearly three decades had moved forward the economy as a whole at a snail's pace though some states did much better than the others. For instance, the latest estimates show that Punjab had the highest per capita National Domestic Product in

1974-75 at Rs 1,482; Orissa on the other hand was at the bottom of the list at Rs 704. The economic policies persued by the Congress governments at the centre as well as the states had enhanced regional disparities instead of reducing them. The state of Maharashtra has maintained its industrial character since its tertiary income exceeds industrial income. Incidentally, Punjab and Haryana have proved that industrial expansion is not the only road to the prosperity of a region. The lot of the people in a state can also be improved by expanding agricultural activities.

The very first year of Janata rule has witnessed a spurt in national income by six to seven per cent. Even though firm estimates have not been released by the Central Statistical Organisation of the government of India, rough estimates indicate that national income of this country rose by more than six per cent in 1977-78 as against the increase of 1.4 per cent in 1976-77. The credit for this goes to the agricultural sector of the economy which has put up a record performance. The production of foodgrains in 1977-78 is estimated to be more than 126 million tonnes, an all-time record in this country. This was made possible by the implementation of a package programme which ensured the supply of such inputs to the farmers as fertilisers, seeds, and pesticides.

Praiseworthy performance

The increased area under irrigation, favourable monsoons and the research base created over the years all assisted in putting up a praise-worthy performance in agriculture. While the area under irrigation has now been extended to 2.8 million hectares, the area under high-yielding varieties of seeds is as much as 3.0 million hectares. The consumption of fertilisers has risen from 3.41 million tonnes in 1976-77 to 4.18 million tonnes in 1977-78. On top of that, the cooperative commercial banks, the rural regional banks and the scheduled commercial banks made available to the farmer liberal quantum of credit so that the crops do not suffer for want of inputs.

The year 1977-78 witnessed remarkable stability in the prices of foodgrains, thanks to a bumper harvest in the year under reference and the bulging stocks of foodgrains with government agencies. The removal of restrictions on inter-state movement of foodgrains also assisted in bringing down prices in urban areas which had suffered in the past due to the high prices resulting from these restrictions. For instance, in Bombay and Calcutta the prices of wheat and rice in the open markets used to be unusually high but now they have dropped to reasonable levels.

Various incentives

Besides foodgrains, the performance of other agricultural crops such as cotton, potatoes and oilseeds has been creditable. However, the domestic production of oilseeds in particular is lower than the needs of the country; the government has therefore chalked out an elaborate programme of imports of refined oils so that the consumers do not feel the pinch of shortages. As a long-term measure, the government is keen to take such steps as result in increasing domestic production of some of the essential crops. For instance, the farmers are being provided with various facilities for the supply of inputs and support prices are fixed so that the farmers do not incur a loss due to increased output. In the case of cotton, oilseeds and jute, liberal support prices have been fixed. Under the price support scheme, sugarcane crop increased by 19 million tonnes. It created a glut of sugar in the country which has forced the government to decontrol it. The farmer however received a remunerative price for his produce under the price-support measures taken by the government.

It is true that no agricultural policy resolution has been drafted by the Janata government but the Plan for 1978-79 has already indicated a bias in favour of the rural areas which implies top priority for agriculture. Irrigation projects are being completed in earnest for providing water to crops. Fertiliser consumption is being accelerated and liberal quantities are being imported keeping in view the domestic demand. Various other inputs such as seeds, pesticides, implements etc are being made available to the farmers under various crash programmes: Steps are being taken to initiate small and cottage industries in the villages so that the unemployed manpower in rural areas need not move to urban areas in search of jobs.

In the case of organised industry however there has been some let-up. While industrial production in 1976-77 improved by seven per cent, the rate of rise in 1977-78 was less than four per cent. A number of factors contributed to the downward turn in the pace of industrial growth. Power shortage in particular proved a big bottleneck. Even though the figures put out by the ministry of Energy showed that the installed capacity of power plants was only marginally deficient in relation to demand, the performance of power plants—particularly the thermal plants—was rather poor. It was reported that the maintenance of the thermal power plants was far below the desired level which resulted in frequent breakdowns. In the summer months, there was hardly a state where power shedding had not been resorted to in one area or the other.

Coal in the hole

The coal mines also fared badly this year. Whereas the nationalised coal companies were boasting of coal surpluses at the pitheads in 1976-77, they were not able to supply coal in adequate quantities either to the industrial units or the power plants. The failure of the coal companies originated in the short supply of explosives due to a strike in one of the explosives manufacturing companies. Immediate steps were taken to import the explosives but alas! the damage had been done. The shortfall in coal production hit the railways which in turn cancelled a number of trains. It became clear in the middle of the current year that the railways were unable to carry all the freight offerings resulting in increased movement of goods by road. The railway employees also have not been cooperating with the management, and it is rightly feared that the working of the railways might turn out to be highly unfavourable during the current year.

In the face of these heavy odds, the minister for Industry, has stated that industrial production in 1978-79 is anticipated to rise by about seven to eight per cent as against an increase of 3.5 per cent only in 1977-78. Since the working of the industrial units at full capacity depends upon the performance of other industries, a high-powered ministerial committee has been set up to monitor the economy. Advance planning of imports and buffer

stocking of crucial inputs are being ensured so that production of industry is not disrupted due to the failure in one or two units as it happened in the case of the explosives needed for coal mining. The ministerial group consisting of the ministers of Finance, Industry, Steel and Mines, Railways and Energy will meet twice a week so as to suggest measures for removing any hurdles in production noticed in the economy. Particular attention will have to be paid to industrial relations which have deteriorated significantly. The mandays lost due to industrial unrest were 21.21 million in 1977 as against 12.80 million in 1976. There are no discernible signs to show that there has been any substantial improvement in employer-employee relations during the current year. In order to minimise the loss in mandays during this year, it will be advisable to settle the bonus issue early.

The continued inflow of remittances from Indians living abroad raised the level of foreign exchange reserves month after month though in the sphere of exports, the growth was relatively slow. The total value of exports in 1977-78 is estimated to be around Rs 5253 crores as against Rs 4981 crores in 1976-77. Imports increased significantly from Rs 4908 crores in 1976-77 to Rs 5832 crores in 1977-78. Thus, the trade gap which was somewhat favourable to this country in 1976-77, became unfavourable to the extent of about Rs 600 crores.

Bulging foreign exchange

While imports were liberalised to keep shortages of essential commodities to the minimum, there were certain forces operating to keep down the rate of increase in exports. For instance, the developed countries have become increasingly protectionist and this has hindered the increased exports of many items. The recessionary tendencies witnessed in developed countries have also affected the export of many products. On top of that, our government has banned the export of many goods so as to avert their shortages within the country. The chief commodities belonging to this group are oilseeds, vegetable oils, groundnut extractions, sugar, fresh vegetables, onions, potatoes, rice, pulses etc.

Addressing the nation from the ramparts of the Red Fort on August 15, the prime minister, Mr Morarji Desai, said that there was a measure of stability in the prices of essential commodities which had been constantly rising for the past 10 years. This assertion by the prime minister is endorsed by the official index number of wholesale prices (1970-71=100) which recorded a small decline over the year.

Shortage of pulses

The index for all commodities, for instance, stood at 186.0 for the week-ended July 22, 1978 as against 188.3 in the corresponding week in 1977. The indices for the wholesale prices of cereals, fibres and oilseeds fell by 3.8 per cent, 12.3 per cent and 18.5 per cent respectively during the same period. On the other hand the prices of pulses rose by 20.6 per cent indicating a shortfall in availability. Even though the government has attempted to fill the gap between demand and supply of pulses through imports, the world markets are not able to supply sufficient quantities. In the last analysis, the demand for pulses in this country will have to be met solely through increased production.

The gold policy of the government underwent a sea-change this year when the decision was taken to commence the sale of the yellow metal to the dealers. The government had two objectives in view while resorting to the sale of gold. First, it wanted to utilize the accumulated gold to reduce the expansionary effect of the budgetary transactions. Second, it was desired to reduce the price of gold in the country so as to lower the gap between domestic and international prices, and thus reduce the smuggling in of gold. The first aim has been achieved to a certain extent. The quantity of gold sold through six auctions was about eight tonnes valued at more than Rs 50 crores. To that extent, the money supply with the public has been mopped up. However, the price of gold has not fallen in this country. In fact, it has been rising ever since the gold auctions commenced. The world market prices of gold have also been improving since then. The moot question is: has the smuggling in of gold dropped? It is claimed by the Finance minister, Mr H.M. Patel, that there has been a distinct drop in the smuggling activities. He may be right because the inflow of remittances from abroad has not been hurt so far.

That money supply has been expanding faster than the government had anticipated is clear from the data released by the Reserve Bank of India. Between July 1977 and July 1978, the expansion in money supply was of the order of more than Rs 2800 crores as against nearly Rs 2000 crores in the corresponding period in the previous year. The Reserve Bank has been taking some measures to tighten the money supply. Happily, the supply of essential consumer goods particularly foodgrains is comfortable and hence the prices in general have been kept under restraint. Any failure on the production front may result in galloping increase in prices again under the unrestrained growth in money supply, though in the short term there are no possibilities of this kind.

Rolling plan

The Janata government has given up rigid planning and has adopted the concept of a rolling Plan. After the fifth five-year Plan which was ended a year ahead of schedule in 1977-78, the new Plan has been drafted for the five-year period ending in 1982-83. The states have been provided with guidelines to draw up the next five-year Plan beginning with 1979-80. It means that every year a new five-year Plan will be drafted keeping in view the achievements or failures in different sectors of the economy.

The financial size of the five-year Plan for the period ending in 1982-83 is significantly larger than the size of the fifth Plan. The total investment in the fifth Plan period is envisaged to be Rs 63,751 crores; it has been raised to Rs 105,990 crores for the five-year Plan ending in 1982-83. It has been computed that with this order of investment, the national income of the country can be raised by 4.7 per cent per annum. However, the long-range rise in national income in the preceding Plans was no more than 3.5 per cent per annum. More than half of the investment will be made through household savings followed by public savings, corporate savings, inflow from the rest of the world and savings of the financial institutions. The accent in the Plan will be on the removal of unemployment and

underemployment besides devoting more attention to the problems facing the poor in the society who desperately need such facilities as drinking water, elementary education, health care, rural roads, rural housing for the landless and minimum services for the urban slums.

Uplift of the poor

For the achievement of both the agricultural and industrial targets, the Plan ensures a steep step-up in investment in irrigation and power projects. Simultaneously, the Planning Commission has planned boldly for the uplift of the rural sections of society through increased investment in the primary sector. The share of the public sector in the utilisation of resources has continued to increase year after year, and the latest Plan drafted by the Planning Commission is no exception. The success of the Plan will be measured by the degree of stability in prices attained during the next five years and also by the measure of success attained in making the essentials of life available to the people at reasonable prices. What is more, the Plan must reduce the number of families living below the poverty line. But with this is tagged the question of population control. Ever since the coming into power of the Janata government at the centre, the family planning programme has received a severe set-back. Surely, there need not be any compulsion in this regard but family planning through persuasion needed to be pursued relentlessly.

Unfortunately, the Planning Commission is currently beset with a new malady which may be named as bureaucratization and which is responsible in part for the stereotyped advice doled out by it. It may be recalled that the Planning Commission was set up to tender advice to the government on short and long-term economic goals and to suggest the strategies that would help to achieve them with optimum deployment of the country's resources. Over the years the "think tank" character of the commission has substantially changed. Its advisory role has been eroded and the advice that it tenders leaves much to be desired. It is not without reason that it no longer enjoys the prestige that it did once. In no small measure is this due to the increased bureaucratization of the Yojana Bhavan. The key positions in the commission have increasingly come to be occupied by the personnel drawn from the all-India services, particularly the Indian Administrative Service (IAS). Yojna Bhavan has been used by the officers of the IAS as a stepping stone in the furtherance of their careers.

The frustration experienced by specialist officers of the Yojana Bhavan, recruited to positions in the commission on the basis of their specialised knowledge and experience, is understandable. They not only find their career prospects blocked, but their analysis of the proposals that the commission receives is subjected to generalists' review. If no worthwhile advics emanates from the Yojana Bhavan, the fault partially lies in the personnel policies that the commission pursues.

One had hoped that the Janata government, being aware of the mechinations of the IAS officers during the emergency, will be able to break the stranglehold of the bureaucracy on the nation's life. This hope had in particular been generated because the prime minister as chairman of the Administrative Reforms Commission had recognised the need for drastic overhauling of the administrative system. The deputy chairman of the commission, a well-known academician, is either too busy or too simple to understand the machinations of the secratariat of the Yojana Bhavan.

The current year (1978-79) is likely to be another good year in the sphere of agriculture because monsoons have been bountiful all over the country. Floods are currently causing havoc in some parts of country but once they recede, the soil will be rendered fruitful due to the new top soil. The kharif crop this year can once again be expected to be a bumper one. Since good performace in the agricultural sector always has a good impact on the over-all economy, there need not be much cause for concern on this count. The real trouble however is in the political rivalries between the different constituents of the Janata party. The infighting that has gone on in the Janata party in recent weeks has made all those people sad who wish the party well. Even though the prime minister stated in his speech at the Red Fort that the infighting had not made it week and that the present situation would lead to the strengthening of party unity, the break-away of any one of the constituents will certainly de-stabilise it.

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All-round economic progress

—Morarji Desai

ADDRESSING THE nation from the ramparts of the Red Fort on August 15, Mr Desai said there was a measure of stability in thd prices of essential commodities which had been constantly rising for the last 10 years. In fact, the solution lay in higher production and the government was engaged in that task. There was a need for further reduction in prices, he added.

He said the government did not want to boast over this achievement which would be real only when each individual in the country felt satisfied.

Lashing out at critics of the government's policies and programmes, Mr Desai said, that not only had there been a stability in price levels but there was also a substantial improvement in the national growth rate—from a stagnant level of 2.5 per cent in the preceding 10 years to seven per cent in the last year.

The prime minister said the government was seriously engaged in the task of facilitating an increase in industrial and farms production capacity.

Stable prices

He said that those who talked of rising prices, increasing unemployment and deteriorating law and order situation were the very persons who made no effort to the task of nation-building. Sometimes it was noticed that they even added to the complications involved. He asserted that while he had no intention of entering into controversy on the issue, he had no doubt that the situation had not worsened.

Mr Desai also strongly refuted the charge that his government "was selling out the country's interests to other nations". The charge was being levelled by those very people who were doing so earlier, he said.

India's prestige, he said had gone up considerably and "we deal with other nations as equals". As far as neighbouring countries were concerned India's relations had improved with Bangladesh, Nepal, Bhutan, Sri Lanka, Burma, Afghanistan and Iran. Relations with Pakistan had also been showing signs of improvement, he said, adding that he was sure "they would improve further."

Stating that it was acknowledged by all that the country's relations with her neighbours were better than they had ever been in the last 30 years, he said that free movement and free trade were essential for true friendship.

On the issue of Sino-India relations, Mr Desai said that attempts were being made to improve them. It was China, he said which had taken the initiative and "we welcomed it".

The prime minister brushed aside any suggestion that his party had become weak or that his government was not stable. On the contrary he said that the present situation would lead to the strengthening of party unity.

Need for discipline

Mr Desai's reference to his party came towards the end of his 25-minute address. He said whatever "restlessness" existed could not be removed without discipline. "I have full faith in discipline and purity of means as Mahatma Gandhi taught us. There would be no compromise in any manner with any one on these two principles" whatever the price we might have to pay for it. The Janata party was in fact endeavouring to promote both discipline and purity of means to strengthen the nation.

One of the achievements of his government, he said was that efforts were being made to put a stop to atrocities against Harijans and weaker sections of the community. Such atrocities, he said were "a matter of shame and stigma for the nation."

In this context he labelled the violent demonstration outside his official residence on August 13, as a "shameful act" since it was conducted by persons who wanted to nullify the programme of allotting land to the landless Harijans. The demonstrators, he said, had pledged to conduct themselves in a peaceful manner but had later gone back on their word. Their major demand was that land allotted to Harijans in 1970 should revert to them.

The prime minister said that on his refusal to comply with their demand the deputation demanded that no special treatment should be shown to Harijans alone, to which he had repied that the constitution itself had made special provisions in this regard.

The deputationists had then asked that the Constitution be amended to provide facilities to all poor people and not Harijans alone. When he told them that that could not be done, they got angry and said they would get that done. Immediately they left and incited the people outside to indulge in violence and create disturbance.

The prime minister said it was for the people of the country to deplore such actions and support the government's firm steps to curb them. Those who indulged in atrocities and lawlessness would have to be dealt with firmly, he declared.

Referring to the government's attempts to check the atmosphere of violence, Mr Desai stated that he was glad that the opposition leaders had been willing to cooperate with the government in this regard. However, he regretted that the opposition "had political compulsions at times".

Strong opposition

Speaking about the role of the opposition, the prime minister said that democracy could function effectively only when the opposition became as important as the ruling party. Therefore "we do not want to weaken the opposition. It should be strengthened but it should keep in mind the nation's interests", he added.

Mr Desai said that the administrative set-up had been distorted as never before, during the emergency. The fault was not of the set-up as such but of those in charge. However, it would not be right to blame the officials because they obeyed the government orders for fear of losing their jobs. It was not an easy thing to risk one's job in this country, he added.

He said: "We will have to evolve such a force that none can spoil the administrative machinery in future. We are trying to do it and hope that there will be support to this move from all". The government wanted to do its best. But it had inherited a certain legacy the effect of which could not be effaced immediately. "It does not take long for evil to come but it does takes long to eradicate it."

The new industrial revolution

V. R. Bhatt

London

India as the first among the developing industrialised countries today will have to consider how her industries and trade will meet the challenge of the microprocessor which is based on the technological advance in which a very small silicon chip, a quarter of an inch square, contains as many electronic components as were contained in an entire computor a few years ago, says the author. He feels that the debate, Small Versus Big, has been debased into a mystical dogma and the importance of the interdependence of the Small and the Big has been lost sight of.

CAN INDIA turn her back on modern advancing technology, that requires for its optimum application large-scale production and industry, in order to divert productive resources to rural areas, to create employment and uplift the deprived majority of our people? The debate on this vital question and the polemics that it generates, within and without the government, gives the impression that it is being conducted, like the proverbial frog, at the bottom of a well, in self-imposed isolation from what is happening

WINDOW ON THE WORLD

outside that could have far-reaching implications on any policies for the direction of our economy. Since the late Dr Schumaker brain-washed the latter-day Gandhians by his idyllic exposition of the Small being Beautiful and by his economic panacea for developing countries in his intermediate technology, a non-discriminative fascination for the Small and a corresponding abhorence of the Big in economic and industrial terms—has debased the debate into a mystical dogma. The importance of the interdependence of the Small with the Big appears to have been lost in the fervid, even though sincere desire for time-barred achievement of full employment and a twentieth century Ramrajya.

Perhaps the new industrial revolution which has begun to affect economic activity in the west and is certain to have profound effects on India and other industrially developing countries should restore some balance in our debate. Strangely enough, the technological advance on which it is based is a very small object, a silicon chip a quarter of an inch square in which can be packed as many electronic components as were contained in entire computer systems 25 years ago. Its origin was partly in Space and modern Defence Research and was developed by scientists in America in the process of developing the transistor and the integrated circuit in computers into the smallest container possible. Space vehicles, manned transports to the moon or guided ones to the planets or satellites had to be equipped with the most elaborate computers and electronic devices which had to be small in size and weight. Likewise for the armoury of warheads, missiles and military aircraft.

The end-product of this research now known as the microprocessor is one of the fastest growing industries in the United States and is rapidly expanding in its application in so many directions, in factories, offices, telecommunications motor-car assembly, warehousing and even into the household. Western countries lagging behind are now making urgent efforts to catch up with the technological revolution that started in the USA particularly as microprocessors can be manufactured for only a few pounds each.

crash programme

The importance which other industrialised nations attach to the new technology is indicated by the crash programme announced this month by the British Labour government, despite the fears aroused in the trade union about the threat that microprocessors hold out for employment. It is to launch several projects, at a cost of £100 million, over the next five years to produce the next generation of microprocessors. In doing so it is quite willing to attract British experts who helped in the development in the USA and American enterpreneurs by giving them incentives in the form of good profits and top salaries. Private sector industries likewise have overcome their antipathy to the public sector to team up with the government. Indeed even in the west the starting of a new technology is beyond private sectors capability and requires direct or indirect state aid. Simultaneously the British ministry of Industry has aunounced a £15 million project for the adoption by British industry of the microprocessor techniques in wide range of products and processes.

The reasoning behind the British government stepping into this new technology is that firstly the microelectronics industry is growing at about 20 per cent a year and at that rate will have an annual market of 15 billion dollors in five years. Second, it is essential to keep British industrial products and associated

businesses and transport services competitive both at home and in exports.

The microprocessor can be compared to the genie of Arab legends who could do anything at his master's command. Attached what it is described in the boxed quotation from the *Observer*. Each ¼ inch sqaure silicon chip can carry 100,000 circuits of memory and logical capability that can in mechanical operations replace human intellegence and supervision. Fitted into a machine, it becomes a far more productive and infalliable tool than when human operated or run. Motor assembly lines using the chip become faster and more reliable as they are in the USA and West Germany. The explosive advance in telecommunications is related to the use of these magic chips. It is a more thorough agent in warehousing. Applied to domestic appliances like sewing machines, washers, ovens or cameras and cars they function better and more economically. The microprocessor in the the USA has also penetrated into offices in services such as word processing for automating production of letters and reports.

The chip has, of course, penetrated into other products we are familiar with earlier in calculators, digital watches, cash registers and according to research going on is likely to transform the postal system by electronic mail bypassing the human delivery system.

Its effect on human labour, as yet to be accurately estimated, is going to be profound. The leftwing British minister of Energy, Mr Anthony Benn, has described the advance of the miscroprocessor as "a scythe" cutting through employment. Advanced technology however, while, destroying some jobs has created others.

Indeed where computerisation of pro-

What the microprocessor is

The making of a microprocessor begins with a slice of ultra-pure silcon half a milimetre thick and a few inches in diameter. On the polished surface of the slice several hundred microprocessors can be made simultaneously and side-by-side, later to be separated into individual 'chips'.

The electronic circuitry which turns the chips into microprocessors consists of a series of elaborate designs etched, layer by layer, into the surface of the silicon. These designs are first drawn, large scale, then reduced in size photographically to produce a 'mask'. This is used like a photographic negative to etch the pattern it contains on to the surface of the slice.

Subsequent layers are created on the chip by a series of steps involving the deposition on to the surface of other materials, and further etching stages. The result is a complex sandwich of successive layers, interconnected in such a way as to produce the electronic characteristics of transistors, resistors, memory components, and so on. The circuits are so small that even the tiniest impurity can wreck them; the great majority will not work, and the 'yield' of perfect chips is typically only 15 to 20 per cent.

The final stage is to seal the chips into protective packages of plastic and provide terminals to connect them to the outside world.

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duction has created greater productivity and lower costs of the finished product, the resulting creation of new wealth has led to an enrichment of the life systems in the west. Even today the number of workers in services or service industries in the most developed countries is bigger than in production process in industry and agriculture. These service industries or services, such as those in education, health, environmental improvement, leisure and recreation, sports, social services, research, arts etc have brought about a better life for the masses.

In any case, the value or the applicability of microprocessor will be judged on the contribution it makes to productivity and cost. Exporting nations, particularly of machine-made products or machines will be faced with competition from the foreign adopters of this technology. To think that in a shrinking and increasingly interdependent world any country can stand aloof from a new revolutionary technology is both a delusion and eventually suicidal.

Consider the following argument about the microeletronics value to developed countries vis-a-vis the developing. "The electronics is one area", an *Observer* article said, "where the developed world retains its edge over the developing world. In steel, car manufacture or ship building, the developing countries with their lower costs seem to hold most of the cards".

India as the first among the developing industrialised countries today, and blessed with ample scientific and technical talent will have to consider how her industries and trade will meet the challenge of the microprocessor. This does not mean that either the kisan or khadi will have to be microprocessed. As experience proves, the demand for artisans' hand-made articles grows most rapidly in the countries with the most developed industries. In India it is the opposite trend as only mass producion of essential industrial products can bring their prices within the reach of the common man. What the rise of the new technology should inspire among our planners and politicians is to seek an optimum balance between the Small and the Big in industry that will produce the greatest benefit for all.

Record German development assistance in 1977

The Federal Republic of Germany has contributed a record DM 13.4 billion assistance to the developing countries. This is revealed in a memorandum on the Development Assistance Committee (DAC) annual review 1978, excerpts from which are given below.

In 1977 the total net contributions of the Federal Republic of Germany amounted to DM 13.4 billion (i.e. the equivalent of app roximatdy 7.5 billion US dollars or Rs 536 crores). This means that the 1976 record level of DM 13.4 billion was again reached in 1977. The Federal Republic of Germany thus made available to the developing countries in 1977 an amount equivalent to 1.12 per cent of the Gross National Product, thus exceeding, as in the two preceding years, the target of one per cent set by the United Nations.

The official net contributions (ODA) went down from DM 3.5 billion in 1976 to DM 3.2 billion in 1977. Expressed as a percentage of the Gross National Product, ODA went down from 0.31 to 0.27 per cent. Multilateral cooperation accounted for 25.4 per cent of official net contributions.

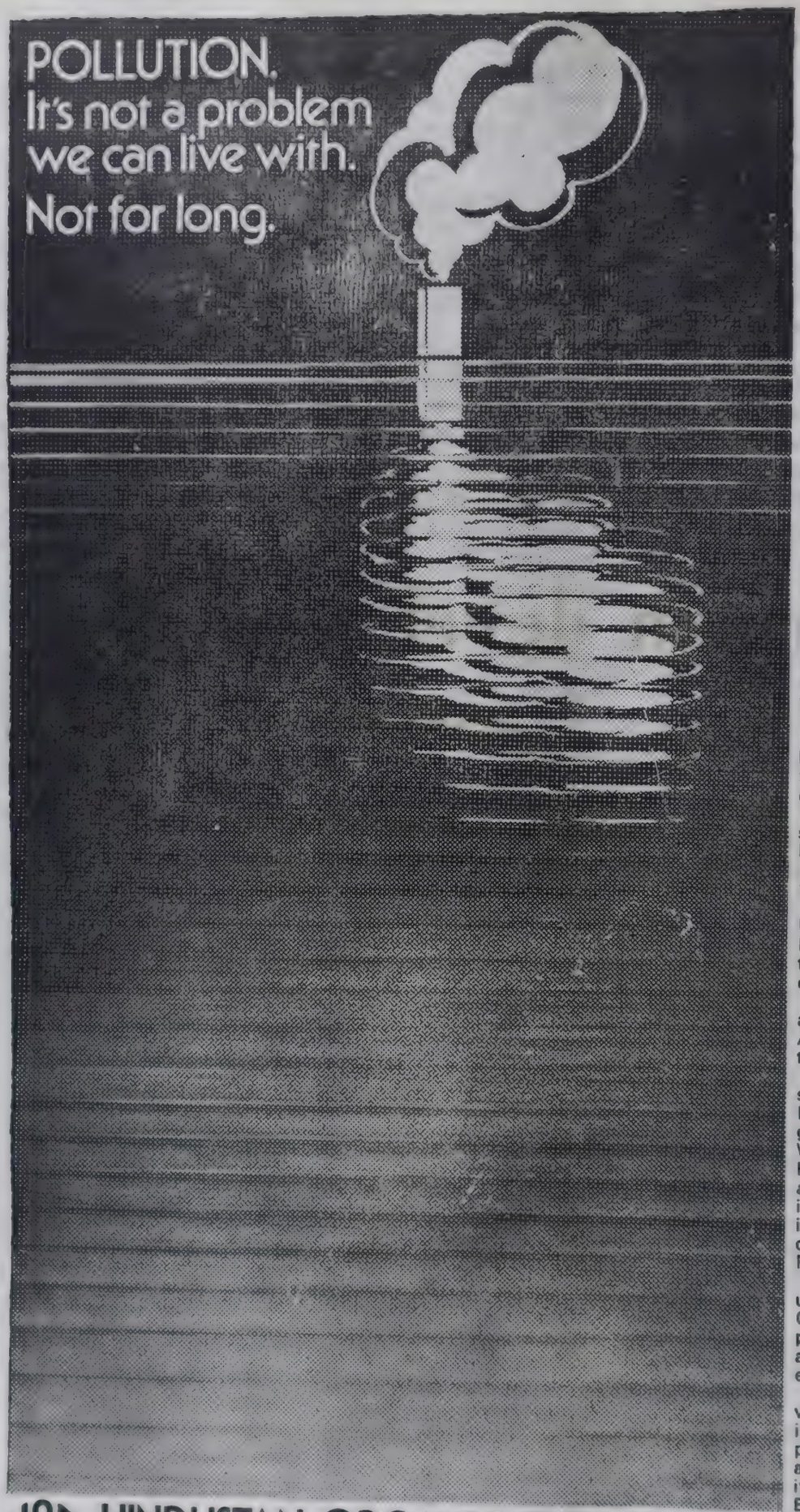
The low ODA figure is in part attributable to the payment procedures agreed upon with the International Development Association (IDA) and with the Asian and Inter-American Development Banks. According to the procedures, the promissory notes made available to these institutions may be recorded as contributions only when a claim has been made on them. The IDA did not call up any funds in 1977 once again, whereas in 1975 the West German contributions to this organisation amounted to DM 423 million. The ADB and IDB, too, called up only small amounts in 1977. The higher level of amortisation backflows out of the developing countries was another main factor behind the drop in ODA contributions (some DM 100 million more in 1977 than in the previous year) as was the drop in debts rescheduling operations in 1977.

Furthermore, one should take into account the fact that the government of the Federal Republic of Germany cannot determine the level of the disbursement quota since the execution of the loan agreements and thus the rate of disbursement of the funds is in the hands of the developing countries. For example, funds for some major projects (in the order of DM 170 million) and for projects with a social orientation which require a longer period of preparation, were not disbursed as expected.

The cash provision in the budget of the Federal ministry for Economic Cooperation was raised by some 24 per cent in 1978 as against 1977.

The other official flows (OOP) increased from DM 108 million in 1976 to DM 142 million in the year under review as a result of higher refinancing on the part of the federal minister for Finance.

The net contributions of the private business and industry stood at DM 9.476 billion in 1977, higher than those of the previous year (DM 9.269 billion). The figure is made up of DM 7.383 billion in bilateral contributions and DM 2.093 billion in multilateral contributions (DM 2.342 billion in the previous year). It is



So much has been said about pollution in the past few years that a lot of people have started accepting it as a fact of life. In fact, it's quite the opposite. And unless we do something about it, now, the consequences will be grave.

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noticeable that in the bilateral contributions there was a sharp drop in guaranteed export credits in 1977: DM 401.7 million, previous year DM 2.136 billion. The main cause of this, apart from the substantial backflows (1977: DM 5.653 billion), was the drop of DM 1.6 billion in new guarantees.

For investments and the private bilateral capital transactions the figures for 1976 and 1977 are: DM 4.791 billion and DM 6.982 billion. Of the latter amount, DM 1.964 billion went on direct investments, DM 1.233 billion on portfolio investments (previous year only DM 0.369 billion) and credits from domestic banks DM 3.653 billion (previous year DM 2.331 billion). The rise in portfolio investments—these are net purchases of bonds floated by developing countries on the West German capital market—is a result of the relatively low level of interest in the Federal Republic of Germany which acted as an incentive to the developing countries to float their loans on the German capital market.

What the arms race is costing in money

Washington

Hugh O. Muir

The developed countries continued to account for the largest proportion of the total military expenditure of the world. The expenditure of the Warsaw Pact countries on arms continued to rise; it rose by 66 per cent over the decade. The West Asian expenditures assumed an even more prominent relationship to world spending on arms. This is contained in the report of the US Arms Control and Disarmament Agency, released late last month reviewing a decade of military spending on a world-wide basis.

CONFIRMING THAT the world spends some 400 billion dollars a year for military purposes, the United States has renewed its call for verifiable disclosure of military expenditures as a means of promoting international trust. The US Arms Control and Disarmament Agency, (ACDA) in a report released on July 24 reviewing ten years of military spending on a worldwide basis, said "many countries are as yet unwilling to disclose details of their military expenditures. Yet the objective is worthy of pursuit."

In a report covering 145 countries, the ACDA pointed out that "negotiated expenditure limitations hold the promise of producing disarmament savings with benefits for human needs and economic development in which all countries could share, with no real risk to the security of any country."

In a foreword to the report, ACDA director, Mr Paul C. Warnke—also the United States' chief negotiator with the Soviet Union on Strategic Arms Limitations—said, "Its primary purpose is to stimulate informed attention to the growing global trade in destructive weaponry, the increasing diversion of scarce resources to military purposes, and to the opportunities for arms control that these circumstances suggest." However, the report said, "adequate verification is essential to the arms control process and information is the key to the problem of verification" of military expenditures.

The report, covering the decade 1967 through 1976, is described as the only presentation of such comprehensive data by any government in the world. The 168-page document comprises principally tables listing annual military expenditures by country over the decade, how much is transferred and to whom and how the military budgets compare to other economic indices, such as a country's Gross National Product (GNP).

The 400 billion dollar figure—actually 398,900 million in 1976 but, the report indicates, certainly surpassed by 1978—itself represented a nearly three per cent increase over the previous year, even after taking inflation into account. Over the decade there had been a real increase of 20 per cent in military expenditures.

In 1976, Soviet military spending equal to 127 billion dollars was almost 40 per cent higher than that of the United States' 91 billion dollars, the report said. The next in ranking order were the People's Republic of China at 34 billion dollars, the Federal Republic of Germany at 16 billion dollars and France at 14 billion dollars. Together, the developed countries continued to account for the largest proportion of the total—308 billion dollars—but military expenditures by the developing countries made up an increasing share, the report said, growing from 15 to 23 per cent over the decade.

principal factor

A principal factor in the decline in the relative share of the total for developed nations was the slow-down in the US expenditures, the report said—from 9.4 per cent of its Gross National Product in 1967 to 5.4 per cent in 1976. At the same time, the report said, Warsaw Pact expenditures, with the Soviet Union by far the biggest spender, continued to rise by 66 per cent in constant dollars over the decade. NATO expenditures meanwhile declined by 14 per cent. Between them, NATO (153 billion dollars in 1976) and the Warsaw Pact (145 billion dollars) accounted for three-fourths of the world's total military expenditures.

In general, the report said, the upward

trend in military expenditures applied to all geographic regions. The West Asia led with the sharpest increase, from 4.1 billion dollars in 1976 to $ 26 billion in 1976—paralleling the rise in expenditures by the Oil Producing and Exporting Countries (OPEC). OPEC went from $3.7 billion to $21 billion in the same period with the sharpest break coming after the 1973 oil price increases.

The West Asia expenditures assumed an even more prominent relationship to world spending when its military expenditures were related to the Gross National Products of the countries in the area.

This ranking placed Oman first with 40.1 per cent of its GNP devoted to military expenditures, Israel second with 32.2 per cent, Saudi Arabia third with 19.2 per cent and Syria fourth with 14.7 per cent. Fifth worldwide was the Soviet Union, the report said, with 12.6 per cent. (The median ratio for all countries in 1976 was two and one-half per cent, the report said, with only 14 countries in two digits.)

The report also discussed world arms sales and noted that it reached the 13 billion dollar level in 1976.

The top exporting countries were the United States with 39 per cent of the market and the Soviet Union with 28 per cent. The next ranking exporters were France with six per cent; and the Federal Republic of Germany and the United Kingdom with five per cent each. However, as a percentage of a country's total exports the Soviet Union ranked first, military sales accounting for 10.1 per cent of all its exports. For the United States this figure was 4.5 per cent. The report pointed out that nearly 50 nations exported arms of some kind in 1976, 24 of them exporting more in that year than in any of the preceding nine years, even after adjusting for inflation.

The leading arms importing countries were in the West Asia: Iran first with 1 billion dollars, Israel second with $947 million, Iraq third with $765 million and Libya with $741 million. Fifth was the Federal Republic of Germany with $463 million. As a percentage of total imports, however, Iraq stood first, with 18.3 per cent devoted to military purposes. The percentage was 16.4 for Israel, 15 for Libya, 10.5 for Iran and one-half for West Germany.

Arms imports also rose in Africa to $ 2 billion; in Latin America to $808 million; and in South Asia to $462 million, while they continued to decline in East Asia to $ 1.1 million from a 1972 high of $ 3.4 billion (a contrast more sharply drawn in constant 1975 dollars that put the 1972 level at $4.3 billion and the 1976 level at $ 1.0 billion).

As for who ranked last in the arms spending race, the ACDA report noted that there were six countries that showed no military expenditures whatsoever: Botswana, Costa Rica, Gambia, Iceland, Lesotho and Surinam.

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MOVING FINGER

Here is a friendly warn- ing to Mr George Fernandes. There is one Mr Rajulu from Karnataka, who is threatening to put him out of business, This inconvenient person claims to have invented a revolutionary technique of fumigation, "Tom Cat", guaranteed to ensure the total extermination of rats from a treated area. Should he succeed in spreading his knowledge and its application widely, the Industry minister may have to suffer a painful deprivation. It is well known that Mr Fernandes cannot get through his day's work without imagining that he is seeing rodents here, there and, indeed, everywhere. In psychiatric literature or practice, this particular phobia is generally associated with women. But, then, Mr Fernandes has a way of defying both reason and unreason. The last time he saw rats was when he was addressing the opposition benches during the debate on the "enquiry" motion in the Rajya Sabha on August 10.

The minister, however, may have justification of sorts. Even otherwise this debate was not noted for many parliamentary virtues. For instance, the word "lie", or its Hindi equivalent was employed without its being challenged as "unparliamentary". Abuse, in other words, often took over from argument. Such was the permissive atmosphere that Mr Piloo Mody succumbed to the temptation to let the clown in him get the better of the humorist. His mimicking of Mrs Gandhi's manner of speaking might have added to his already considerable girth as a laugh-raiser, but it certainly did not raise his stature as a debater. By the way, could he have learnt the trick from the late Nagarwala?

It may be argued, of course, that Mrs Gandhi, after all, deserves the worst. I cannot say that I am out of sympathy with such a view. Some things ought to be sacred. August 9, in our national calendar, is one such thing. Mrs Gandhi sought to defile that date by her so-called "Save-India" rally. The outraged heavens, however, would not permit this profanity. The unrelenting rains turned her show into slush. It is possible, however, that even the cruel skies had done her a kindness too. Slogan-shouters there would have been in strength, but the massive crowds she might have been expecting would not have materialised in any event.

But then the Devil has the virtue of looking after his own. The Rajya Sabha debate on the "enquiry" motion probably came to Mrs Gandhi as a morale-booster of sorts. Both Mr Fernandes and Mr Mody relied heavily on her "exoneration" of Mr Morarji Desai (or, more properly, Mr Kanti Desai) in 1968 to prove that any demand for further enquiries stood automatically ruled out. Even the prime minister chose to refer to the clean chit given to him by his predecessor. There is clearly irony in this touching reliance placed by the Janata leaders on the finality of any word or deed of Mrs Gandhi; but not much logic, if one were to go by a rather famous precedent. It may be recalled that Jawaharlal Nehru "exonerated" T.T. Krishnamachari, not once but a number of times on the floor of parliament. Nevertheless, when Nehru's successor, Lal Bahadur Shastri, who, of course, was from the same party, received a memorandum of allegations, it was not enough for him that the Finance minister had been "cleared" earlier by a former prime minister. Shastri insisted on the need for satisfying himself—and thereafter satisfy parliament or public opinion—by the process of seeking the advice of a judge of the Supreme Court.

The controversy raised by Mr Raj Narain and others over the "whip" issued to the Janata MPs was undoubtedly meaningless. The "enquiry" motion itself did not involve an issue of "no confidence" in the government on the part of parliament. But, so far as the prime minister's rejection of the case for an enquiry was concerned, he had every right to make it an issue of confidence with the members of his own party. It is obvious that his position as the leader of the Janata parliamentary party would have become untenable were members of that party itself, whether many or only a few, to be allowed to make common cause with opposition MPs on the floor of parliament in challenging his *bona fides* in a matter of this kind.

Dr J.D. Sethi's recent induction into the Planning Commission has been followed by reports that Dr Raj Krishna is planning to move out of Yojana Bhavan into a berth elsewhere, possibly with the World Bank. It would be uncharitable to suggest that one sees Gresham's Law at work here—and, in any case, I am no uncritical admirer of Dr Raj Krishna. It is a fact, however, that there is a fairly widespread feeling that, after having been politically devalued, the Planning Commission is now being professionally diluted. Let us hope, however, that Dr Sethi will make up by the intensity of his faith for any lack of status in the academic world of economists, who, unfortunately, could often be an unreasonably fastidious lot. So fastidious, in fact, that some of them may raise their eyebrows at Mr P.N. Dhar being described as a "renowned economist". In any case, why should the Finance minister or the prime minister have thwarted Dr Manmohan Singh of the prize post of Assistant Secretary-General in the UN secretariat? Dr Singh, I should have thought, deserves well of his country; he may claim that he is one of the main architects of the export growth. Prof. Dhar, of course, belongs to the second category in the Shah classification of "emergency bureaucrats"; he was among "those who may have carried out the instructions a little more zealously than others".

VB

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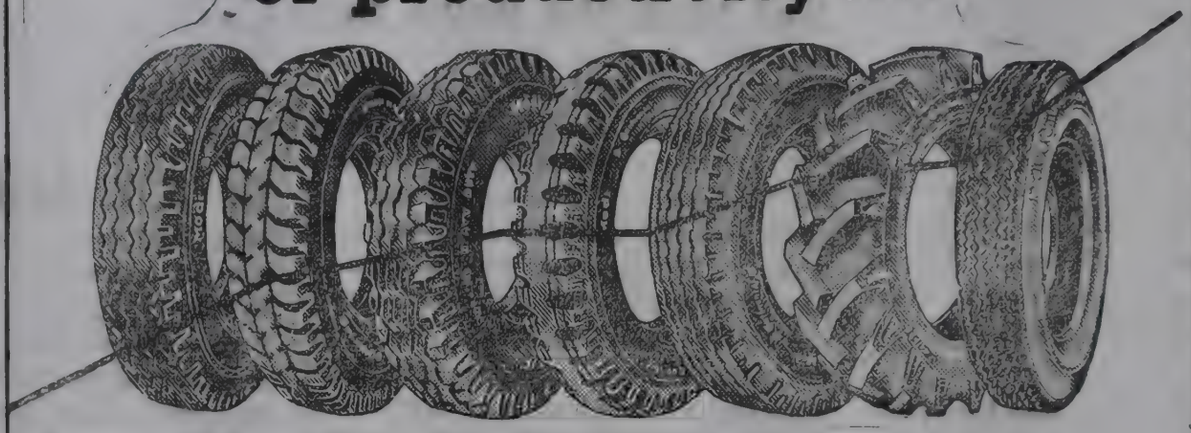

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TRADE WINDS

Sugar Decontrolled

THE MINISTER for Agriculture announced on August 10 that sugar would be decontrolled from August 16, 1978.

The minister stated that taking into account the record sugar production, the high level of sugar stocks in the system, there was need to further maximize domestic consumption of sugar which has already risen by over 22 per cent in the last one year, to bring the benefits of enlarged production to the consumers. After carefully considering all aspects of the present situation in this sector, the government had decided to remove the control on prices, movement and distribution of sugar with effect from August 16, 1978. To ensure a smooth transition, the organisations responsible for lifting levy sugar against release orders issued before that date was being asked to take-over the stocks expeditiously.

The statutory minimum price payable for sugarcane for the season 1978-79 will be raised to Rs 10 linked to 8.5 per cent recovery against the present level of Rs 8.50 linked to 8.5 per cent recovery. The present excise duty on levy and free sale sugar would be averaged out and imposed on sugar, simultaneously with the discontinuance of the dual pricing system. To ensure that the sugar prices prevail at reasonable levels, a close watch would be kept on the production, availability and prices. The government hoped that the industry and trade would take this opportunity to stimulate domestic consumption by maintaining prices at reasonable levels. In case prices tend to go beyond such levels, the government would not hesitate to take appropriate action.

There were some consequential steps needed under the changed circumstances including those relating to the relief to be provided to units which have created or expanded their capacity in recent times at high cost for units which modernize their equipment etc. as also to provide incentives to sugar factories for early and late crushing. These were being worked out and appropriate decisions there-on would be taken in due course. The government hoped that the new policy would stimulate domestic consumption and also bring about a greater balance between the sugarcane availability and its utilization by the various sweetening agents. The government also hoped that the domestic consumption of sugar would increase further substantially, in turn with the increasing production.

Gold Against Exports

Commerce minister, Mr Mohan Dharia, announced in Lok Sabha recently, a scheme for replenishment of gold against export of gold jewellery. The scheme would come into effect from August 21.

Announcing the scheme, Mr Dharia said it would permit exports of ornaments made of gold of 15 carats or higher purity. A minimum value added of 33-1/3 per cent over the value of pure gold content would be expected.

The scheme, which was originally announced by Finance minister, Mr H. M. Patel in his budget (1978-79) speech in February last, would provide re-plenishment of gold to the extent that it is used in the ornaments exported. The government will notify from time to time the price at which gold will be sold. The price will be fixed having regard to the international price of gold. "Sales will be through the State Bank of India," Mr Dharia said.

Registered Exporters

All registered exporters of gem and jewellery, cooperative societies of certified goldsmiths and public sector corporations both of central and state governments operating as export houses can avail themselves of the scheme.

The scheme will cover export made by air freight through the customs houses at Bombay, Madras, Calcutta and Delhi against contract supported by irrevocable letters of credit or cash-on-delivery basis. Mr Dharia announced that it was proposed to extend the benefits under the scheme to exports from other places in due course.

He said that eligible exporters should file their applications with the licensing authorities —the Chief Controller of Imports and Exports at Bombay, Madras, Calcutta and Delhi. Export licences will be granted by endorsement on shipping bills. The customs will allow the exports, after verifying the weight and the purity of gold used in the items to be exported and the export value. Immediately after the connected foreign exchange is realised, the exporter "can apply for replenishment of gold—as pure gold—to the same licensing authority which passed the shipment".

The licensing authority will issue release orders to exporters for the quantity and value of pure gold used in the items exported; both value and quantity will be limiting factors in each release order. On production of such release orders, the State Bank of India will sell gold at the notified price ruling on the date of sale.

Mr Dharia said while gold ornaments (without stones) will be covered by the present scheme, the government proposed to evolve an integrated scheme covering gold studded jellery as well. In the meantime, exports of studded jewellery will get the benefits provided under the existing scheme.

Mr Dharia expressed confidence that the scheme would not only fetch more exchange earnings for the country but would be able to provide gainful employment opportunities to hundreds of skilled goldsmiths.

Gold Auction

The Reserve Bank of India has rejected all the 1,823 bids received for the eighth gold auction held on August 8, 1978, since none of the bids came up to the minimum reserve price fixed by the auction committee. This has happened for the first time, since the auctions started on May 3, 1978 last. As a consequence, the price of standard mint gold catapulted to a level of Rs 750 per 10 gm on August 10,1978.

The government announced that the next (ninth) auction

would be held in Bombay on August 17 on the same terms and condition as of the eighth. The Reserve Bank of India spokesman refused to divulge the minimum reserve price fixed by the committee, as also the level of bid prices received from the lenders.

Soft Loan Scheme for Modernisation

The government of India have revised the list of engineering industries and eligibility criteria for assistance under the Soft Loan Scheme. The Soft Loan Scheme for modernisation of five selected industries (sugar, cement, cotton textile, jute and certain engineering industries) is being operated by the Industrial Development Bank of India (IDBI) and other public financial institutions. The revised list of engineering industries and revised eligibility criteria is as follows:

I. **Automobile industries**: (a) Agricultural tractors and self-propelled agricultural implements, (b) auto ancillaries (only those units which supply not less than 10 per cent of their products to manufacturers of original equipment, (c) commercial vehicles, (d) passenger cars, (e) scooters and motor cycles and (f) cranes.

II. **Industrial equipment industries**: (a) Air compressors (manufacture of 100 cfm and above), (b) electric motors (manufacture of (1) fractional HP motors, meaning motors below one HP and (2) motors of 20 HP and above), (c) power cables, (d) industrial fasteners (only high tensile and special type viz. stainless steel, etc and original equipment sppliers to automotive industry), (e) pumps (such as process pumps and water handling pumps), (f) speed reduction equipment and (g) transformers and H T switchgears

III. **Industrial machinery industries**: (a) Ball, taper and roller bearings, (b) cement machinery, (c) sugar machinery, (d) textile machinery and (e) jute machinery

IV. **Light engineering industries**: (a) Bicycles (including manufacture of friction components like chains, free wheels, hubs, chain wheels and crank, (b) electric fans, (e) electric lamps (GLS only) and (d) industrial sewing machines

V. **Metallurgical industries**: (a) Grey iron, malleable iron, SGCI and alloy, iron and steel castings and non-ferrous cast-

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INDIAN RAILWAYS
NORTHERN
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ings for industrial applications, and (b) close die forgings.

VI. Cutting tools and grinding wheels.

VII. **Internal combustion engines**.

VIII. **Miscellaneous industries**: (a) Steel re-rolling mills, (b) diversification of mini steel plants and (c) wagons.

IX. **Machine tools (only units licensed under IDR Act)**: *A. Eligibility criterion*: Following criterion will apply for determining eligibility of the above mentioned industries for assistance under the scheme. "The industrial units should have been set up at least 10 years ago. This age consideration could be relaxed for units requiring: (i) diversification; and/or (ii) for units which are in a position to substantially increase exports either by reducing cost or upgrading quality.

B. Purpose of loan: Assistance under the scheme would be available for the following purposes: (i) Replacement of machine tools and equipment more than 10 years old (The age consideration, however, could be relaxed for units requiring; (i) diversification; and/or (ii) for units which are in a position to substantially increase exports either by reducing cost or upgrading quality); (ii) addition of balancing equipment for improving productivity, reducing inputs, recovery and recycling of wastes; (iii) material handling equipment; and (iv) testing and quality control instruments and equipment.

Cement Supply

The Commerce minister, Mr Mohan Dharia, has warned that the cement distribution might be taken over by state government agencies from October 1, if the dealers are not disciplined as promised by the Cement Manufacturers Association.

Mr Dharia pointed out that the government had told the states not to be complacent but prepare a mechanism to take-over cement distribution. West Bengal had already formulated a scheme. Industry minister, Mr George Fernandes had himself attended a meeting of representatives of Cement Manufacturers Association and others. The association had assured the government that it would bring about discipline among the dealers.

Increased Output of Coal

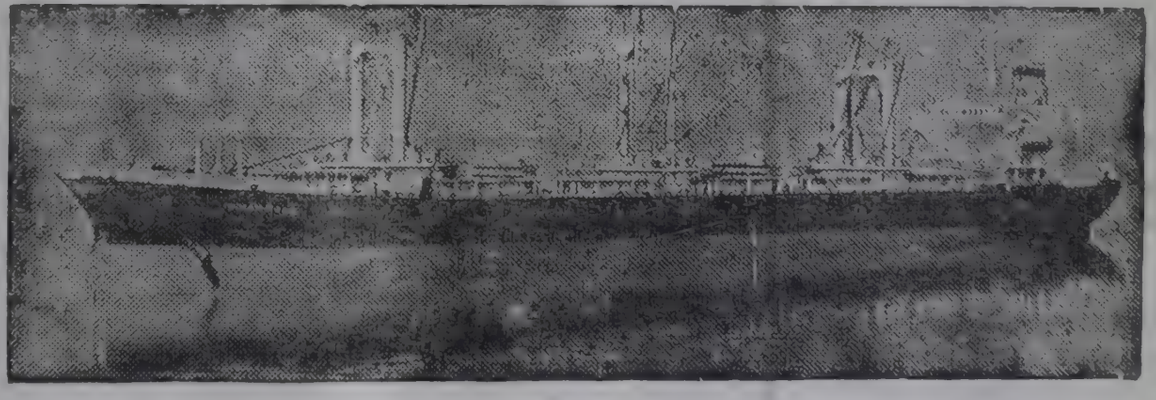
Production of coal by Coal India Limited has picked up considerably and was 420,000 tonnes more in July than in June this year. This is the second highest achieved since nationalisation of coal mines and during the period covering April to November in any year—which is considered as a lean period. This is also 4.7 lakh tonnes higher than in July last year. This is the picture in Coal India after the review conducted by the minister of Energy, Mr P. Ramachandran, in the first week of July this year. The meeting had reviewed the targets of coal production in Coal India. The targets for the remaining nine months have been adjusted so as to ensure that the total production of 113.5 million tonnes is achieved.

There has also been an increase in the daily rate of production in Coal India. This increased from 260,000 tonnes per day to 275,000 tonnes per day, an increase of approximately 15,000 tonnes per day. There has also been a substantial increase in the despatches of coal in July as compared to June. In CIL this rose from 65,60,000 tonnes in June to 70,90,000 tonnes in July, an increase of over five lakh tonnes.

There was an increase in the number of wagons loaded per day from 7,241 in June to 7,761 in July, an increase of 520 wagons per day. Loading increased for the power sector from 1,554 to 1,652 wagons per day, for cement industries from 250 to 330 wagons per day and for the railways from 1,365 to 1,382 wagons per day. There was an improvement in the utilisation of wagons as a result of which the daily average detention came down from 924 wagons in June to 569 wagons per day in July.

Blanket Exchange Permits

The Reserve Bank has withdrawn with immediate effect the restriction that the representatives of blanket exchange permit holders visiting abroad on export promotion should travel only by Air-India or Indian Airlines. The representatives can now travel abroad by any carrier of their choice. The blanket permit holders may approach the regional offices of the Exchange Contro



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department and have the existing condition in their permits amended suitably.

Indo-Iraq Joint Commission

New areas of cooperation between India and Iraq were identified and progress in the fields of industrial cooperation, bilateral trade, transport and agriculture, arising out of protocol of the last session of Indo-Iraq Joint Commission, held in November, 1977, in New Delhi, was reviewed at a three-day inter-sessional meeting of the Indo-Iraq Joint Commission which concluded in Baghdad early this week. The Indian team at the meeting was led by Mr Romesh Bhandari, additional secretary in the ministry of External Affairs and included officials of the department of Heavy Industry, Commerce, Agriculture and Irrigation and also the representatives of public and private sectors. The areas of cooperation identified at the meeting will be discussed at the forthcoming session of the Indo-Iraq Joint Commission to be held in Baghdad towards the end of this year.

Bilateral Trade

In the field of bilateral trade, nearly 44 million dollars (Rs 36 crores) worth of commodities have already been contracted for export to Iraq from India during the first quarter of this year. Iraq has agreed to supply urea and sulphur to India. Four projects valued at 75 million dollars (Rs 61 crores) have been awarded to Indian firms for which contracts have already been signed. The Indian firms are likely to be awarded more contracts worth nearly 100 million dollars (Rs 82.5 crores) by the end of 1978. Greater utilisation by Iraq of the Indian consultancy services has been agreed to. Rail India Technical and Economic Services (India) Limited (RITES) are in the final round of negotiations for the Baghdad-Hussaiba railway project, valued at over Rs 1500 crores.

In the field of agriculture, India will assist Iraq in setting up agricultural research institute, agro-industrial projects, cultivation of tobacco, and several new projects for reclamation of land.

The Hindustan Machine Tools (India) Ltd (HMT), has been requested to prepare a project report for a machine tools complex in Iraq.

Improving US Trade Balance

The Economic Newsletter of the Chase Manhattan Bank has argued that the latest figures on the US trade balance underscore what analysts of trade and payments patterns have maintained for some time. The US trade deficit peaked in the first quarter of this year and is now on its way down. Although the overall figures for 1978 are likely to show a somewhat larger deficit than the $27 billion total for 1977, the deficit for the second half of the year will be significantly less than that for the first half, and this improving trend will continue into the year 1979.

There are three primary factors supporting the outlook for a declining trade deficit. The most important factor is the narrowing differential between growth in the United States and in the rest of the world. The relationship between imports and the level of economic activity is highly sensitive to the business cycle.

RECENT CHANGES IN INCOME TAX LAW-2

TAX DEDUCTION AT SOURCE EXTENDED TO WINNINGS FROM HORSE RACES

WINNINGS from horse races paid by bookmakers and race clubs have also become liable to deduction of tax at source with effect from 1st June, 1978.

If you are responsible for paying any winnings from horse races, your obligations under the Income-tax law are:

- As and when you pay to any person resident in India such winnings exceeding Rs. 2,500— DEDUCT tax @ 34.5 per cent (30 per cent as income-tax and 4.5 per cent as surchargo) at the time of payment.
- DEPOSIT the tax so deducted to the credit of the Central Government within one week from the date of deduction. The deposit may be made at any office of the Reserve Bank of India, or the State Bank of India or its subsidiaries conducting Government business or at a branch of specified public sector bank authorised to accept the payment of tax at the concerned station, through an income-tax chalan in Form No. 39, blank copies of which may be obtained from your Income-tax Officer.
- FURNISH to the person to whom the winnings from horse races are paid, at the time of payment, a certificate in regard to the tax deducted at source in the prescribed Form No. 19-BB.
- SEND to your Income-tax Officer a statement in prescribed Form No. 26-BB quarterly on 15th July, 15th October, 15th January and 15th April in respect of the tax deductions made by you during the immediately preceding quarter.

If you need any guidance or assistance, you may contact your I.T.O. or the Public Relations Officer in the office of the Commissioner of Income-tax.

COMPLIANCE WITH TAX LAWS HELPS RESOURCE MOBILISATION FOR NATION-BUILDING.

Issued by
DIRECTOR OF INSPECTION
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INCOME TAX DEPARTMENT
New Delhi-110001

davp 78/231

The projected slowing of the US economy not only means slower growth of consumption, imports and their utilization in final production, but also the drawing down of inventories of imported goods.

A second factor pointing to a decline in the US trade deficit is the improvement in the competitive position of US firms that has resulted from the depreciation of the dollar during the past year.

A third important consideration is the outlook for oil prices and the volume of oil imports. The US oil inventories are likely to build up toward the end of this year in anticipation of an OPEC price hike.

Punjab & Sind Bank's International Division

The recently started international banking division of the Punjab and Sind Bank Ltd (PSB), will provide professional expertise in the sphere of international trade. The bank would endeavour to provide necessary facilities to exporters for encouraging export of Indian goods.

Being authorised dealers in foreign exchange in all currencies, the PSB would extend its services to customers in various parts of the country and thus help in accelerating economic development of the nation.

RBI Directions on Bank Drafts

New directions have been issued by the Reserve Bank in respect of the payment of drafts drawn by overseas banks on branches of Indian banks. Finance minister, Mr H.M. Patel told Rajya Sabha that new instructions had been issued to plug some of the loopholes and they would come into effect from September 1, 1978.

The new instructions are that the overseas banks should send drawing advices as soon as rupee drafts are issued on receipt of which, funds of the overseas banks should be set apart to meet the reimbursement claims on the paid drafts from the paying offices. The authorised dealer should ensure that the payments are treated as having been debited to the rupee accounts of the overseas banks on the actual data of payment to the beneficiaries of the drafts. The authorised dealers should charge the overseas banks with a payment commission on each draft at the rate of 9.15 per cent of the draft amount (with a minimum of 50 paise). The authorised dealers have also been instructed to speed up communications between the paying offices and the office maintaining the account of the overseas bank.

Indian Exhibition in Moscow

The Indian National Exhibition in Moscow has been attracting large number of visitors including diplomats, dignitaries and businessmen. The total number of visitors during the first six days of the exhibition exceeded 100,000.

The vice-chairman of Council of Ministers of the USSR and the chairman of GOSPLAN, Mr N.K. Baybakof and the Bulgarian ambassador in Moscow have visited the exhibition and expressed keen interest in various exhibits. During his visit to various pavilions, Mr Baybakof expressed admiration that one single country could exhibit so many high quality products under one roof and with such wide diversity ranging from micro computor, data recorder, solar powered transistor, models of satellites to agricultural items particularly the high-yielding varieties of wheat and paddy. He evinced keen interest in the specimens depicting the use of nuclear research for agricultural purposes. He discussed the tie-up arrangements regarding supply of raw cotton by the USSR and supply of textiles by India. It was pointed out to him that India had large capacity in the textile sector and could meet the demands of the overseas markets including the USSR.

Engineering Trade Fair

The Second Indian Engineering Trade Fair which concluded on Fabruary 14, 1978 was a major success and effectively projected Indian Engineering capabilities and capacities. The trade fair generated business enquiries worth Rs 782 million of which Rs 242 million related to exports. In order to institutionalise the fair and consolidate on the gains of the last two fairs, AIEI, in close consultation with the government, is organising the Third Indian Engineering Trade Fair at New Delhi from February 2 to February 16, 1979. This fair would be on a larger scale and would present a wider cross section of Indian engineering industry. The number of overseas visitors is expected to be even larger this time than on the last occassion.

Forgings and Castings Industry

The Trade Development Authority (TDA), plans to conduct an interfirm comparison study of the forgings and castings industry. Its objective is to help Indian firms improve their operating efficiency, bring down cost of production and thus become more competitive in the domestic and markets. TDA's Centre for Interfirm Comparison obtained the expertise in interfirm comparison techniques from the world-renowned institute in interfirm comparison at London. Only one of its kind in the industry, the centre has so far conducted two studies in the automobile ancillaries industry and one each in the readymade garments, industrial fasteners and bicyle and bicyle components.

These studies were very well received by the participating firms. Many firms urged TDA to repeat the studies to enable them to continually benefit from them. Complete secrecy is maintained about the information furnished by each firm. The whole exercise is carried out with the help of code numbers and certain ratios and percentages and neither the names of the firms nor their absolute figures are revealed in the study.

HUDCO Reduces Interest Rate

With immediate effect, the Housing and Urban Development Corporation (HUDCO) has slashed its rate of interest to be charged on 'Sites and Services Schemes' for economically weaker sections from five per cent to four per cent net per annum. HUDCO will also provide 100 per cent financial assistance for development of sites for economically weaker sections. The reduction in the rate of interest means that in future an economically weaker section family will pay only Rs 16 per month as against Rs 19 per month earlier to own a plot costing Rs 2700—a sum of Rs 330 less over a period of 20 years. Likewise, for a plot costing about Rs 1500 the monthly instalment will come

down to Rs 9 instead of Rs 20, a saving of Rs 240 over a period of 20 years.

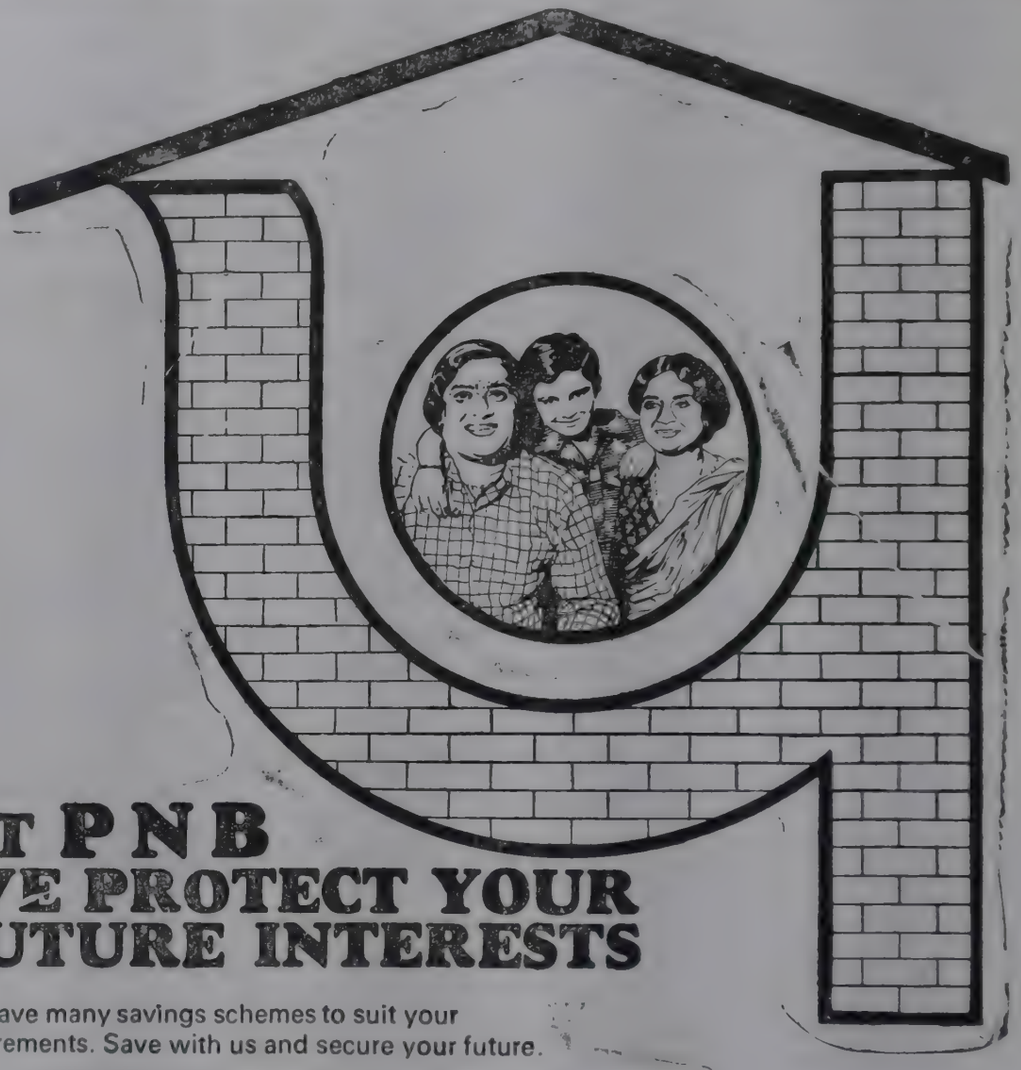
Reduction in Prices of Farm Inputs

The minister for Petroleum, Chemicals & Fertilisers, Mr H.N. Bahuguna, stated in Lok Sabha recently that he has requested the chief ministers to exempt fertilisers and pesticides as also the raw materials used in their manufacture from sales tax and octroi, etc. The minister stated that it was the constant endeavour of the government to make available farm inputs to farmers at reasonable prices. He said that the price of urea, the major nitrogenous fertilizer, was reduced by Rs 100 per tonne from October 12, 1977.

Mr Bahuguna added that based on a report of Bureau of Industrial Costs and Prices which indicated some scope in reduction of prices of pesticides, a dialogue was held with the pesticides manufacturers who have reduced prices of a number of items of pesticides ranging upto 12 per cent. Government have also recently withdrawn excise duty on pesticides, he said.

Rural Development

A three-day conference to reorient the administration to rural development was held in New Delhi from August 16. About 100 scholars, planners and administrators discussed the various aspects of the problem. The prime minister, Mr Morarji Desai, inaugurated the roundtable which was held in collaboration with the Economic and Social Commission for Asia and Pacific (ESCAP). Experts from foreign countries such as Indonesia, Phillipines and Korea were also present. The general aim of the roundtable was to examine the structure and functioning of the administrative machinery, to assess its adequacy and competence to cope effectively with the rural development programmes. It also proposed to develop suitable management approaches which would render it more efficient and more responsive to the needs of the target people and demands of social justice, in the light of the five-year Plan 1978-83. Among the variety of subjects discussed were problems of the rural poor; concepts and approaches to rural development; role of women in rural development; improving the administrative system for reaching the poor; participation of the rural poor in integrated rural development; effective implementation of various approaches to land reforms; rural deve-



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lopment for generation of employment and appropriate technulogy for rural development.

Expansion of International Airports

The minister of Tourism and Civil Aviation, Mr Purushottam Kaushik, told Rajya Sabha recently that efforts are being made by the International Airports Authority of India to provide more amenities to passengers at the four international airports by expanding the existing terminals to the extent possible. During 1978-80, the following expansion programmes have been planned for Bombay, Calcutta and Madras airports:

Bombay Airport

(i) Modifications to the domestic side (both land side and air side); (ii) extension to international transit lounge to provide additional area of 290 sq mts (approximately); and (iii) commissioning of the new international passenger and cargo terminal complex (Phase I) by mid-1980.

Calcutta Airport

Expansion of international concourse and arrival hall to increase the area by 10,000 sq ft (approximately).

Madras Airport

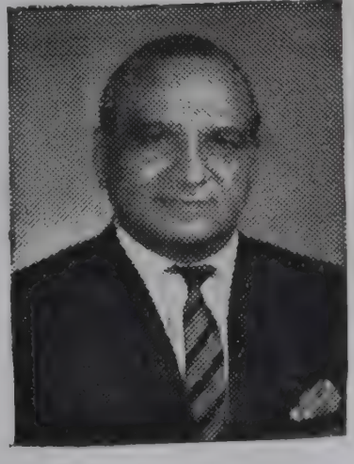
(i) City side extension of the international departure concourse to provide 665 sq mts; (ii) extension to the international arrival area to the extent of 600 sq mts (approxmately); and (iii) expansion of technical block cum control tower.

Names in the News

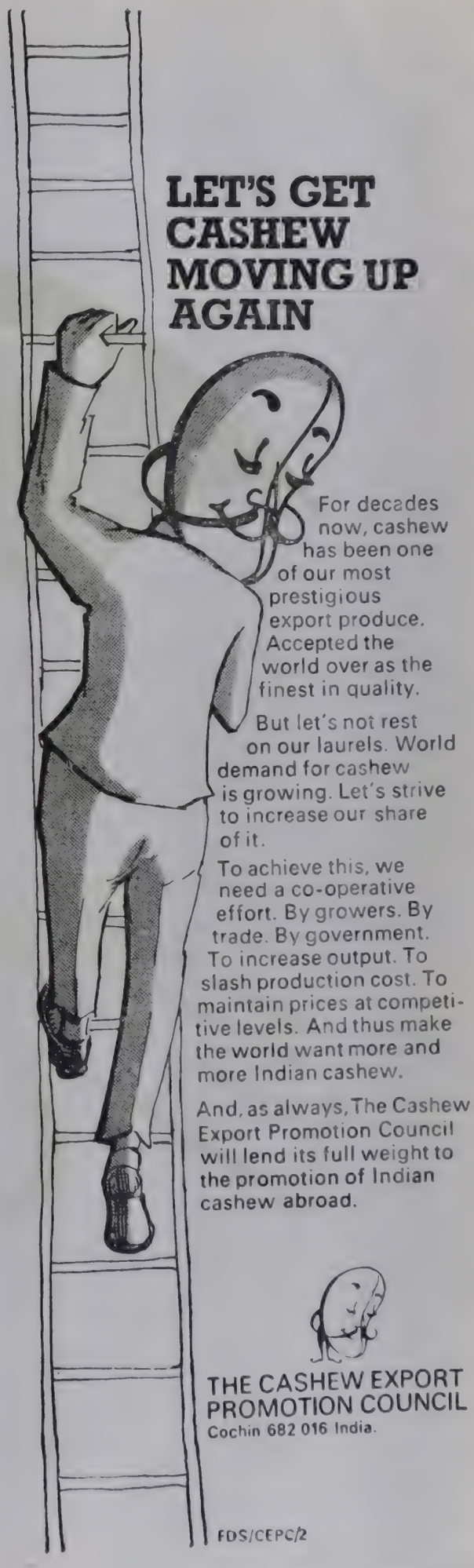
Mr K.P. Modi, chairman-cum-managing director of National Insurance Company Ltd, a subsidiary of General Insurance Corporation of India, has been elected on the board of directors of Remington Rand of India Ltd.

Mr K. P. Modi

Mr C.P. Shah has been elected as a director on the board of UP Twiga Fibreglass Ltd. Mr Shah retired recently as the chairman and managing director of Bank of India and is well-known for his services to banking and industry.



Mr C. P. Shah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And, as always, The Cashew Export Promotion Council will lend its full weight to the promotion of Indian cashew abroad.
THE CASHEW EXPORT PROMOTION COUNCIL
Cochin 682 016 India.
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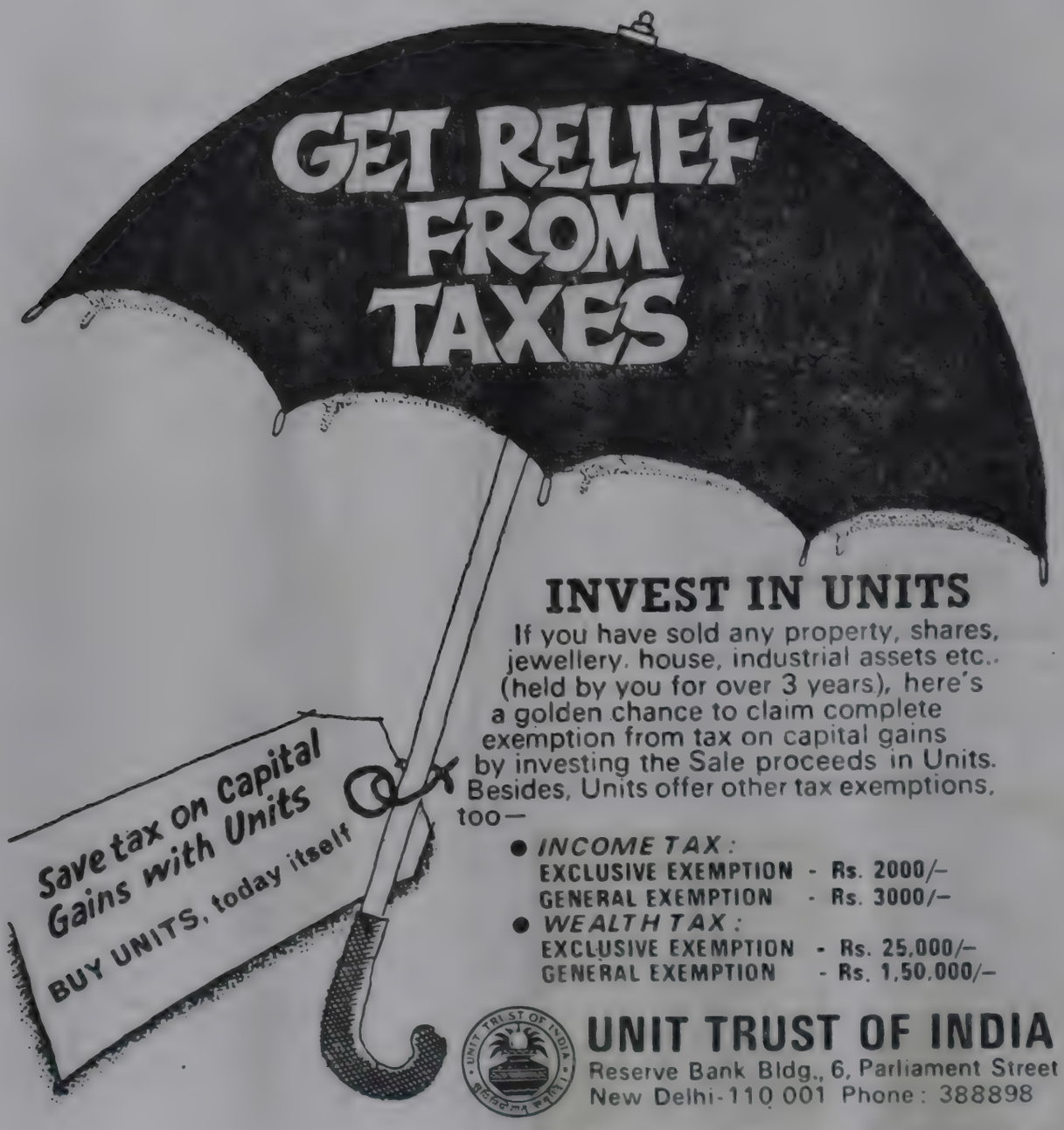

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COMPANY AFFAIRS

Hukumchand Jute

THE DIRECTORS of Hukumchand Jute Mills Ltd, have reported a profit of Rs 16.50 lakhs for the year ended March 31, 1978. A sum of Rs 15 lakhs has been transferred from general reserve. The company has proposed to provide Rs 27.73 lakhs for depreciation. Dividend has been recommended on cumulative preference shares at the rate of 9.1 per cent which will absorb Rs 3.64 lakhs.

Although, production during the year under review was higher by 970 tonnes than the previous year, the working results were not very satisfactory mainly due to steep rise in the prices of raw jute and the manufacturing cost. The sale prices of finished goods did not correspondingly rise because of restricted demand of jute goods and the competition from other countries. Despite recession in demand in the foreign markets, the company was able to increase its exports by Rs 1.25 crores over the previous year.

The government has withdrawn the cash assistance on hessian with effect from April 1, 1978 which has affected the industry's competitiveness in the foreign markets. The directors feel that prospects of jute crop were expected to be better during the current year which, if materialise, would considerably help the industry.

In the chemical division of the company, the production of caustic soda during the year under review was lower by 1219 tonnes as against the previous year due to power supply restrictions and unscheduled power cuts. The working results were however satisfactory because of better utilisation of chlorine and running of the plant at optimum level of efficiency. Steps are being taken to introduce new technical developments, diversify the products and overhaul the plant and machinery to improve the working efficiency.

Rohit Pulp

The board of directors of Rohit Pulp has stepped up the dividend from eight per cent to 12 per cent for the year ended March 31, 1978, following good results.

According to the preliminary statement, sales are up from Rs 3.21 crores to Rs 4.01 crores and the gross profit has increased from Rs 25.14 lakhs to Rs 33.16 lakhs. After making necessary provisions for depreciation, investment allowance and development rebate, there is a net profit of Rs 10.66 lakh compared to Rs 8.01 lakhs in the previous year. The proposed dividend will claim Rs 7.20 lakhs (Rs 4.80 lakhs).

Chowgule Steamships

The directors of Chowgule Steamships have not recommended any dividend for the year to March 31, last, as the company's working has resulted in a loss. The company paid ten per cent for the preceding year.

Preliminary figures show a decline in freight and charter-hire earnings from Rs 13.60 crores to Rs 9.75 crores followed by a drop in the gross profit from Rs 2.61 crores to a mere Rs 37 lakhs. After providing for depreciation, there is a net loss of Rs 2 crores compared to a net profit of Rs 34.54 lakhs previously.

Vijaya Bank

The aggregate deposits of the Vijaya Bank Ltd increased by Rs 36.05 crores from Rs 218.65 crores in December 1976 to Rs 254.70 crores in December 1977. Total bank credit increased by Rs 13.75 crores from Rs 133.97 crores in December 1976 to Rs 147.72 crores in December 1977, registering a growth rate of 10.3 per cent. Advances for food procurement increased by nearly Rs 5 crores from Rs 13.35 crores to Rs 18.16 crores. Food procurement advances now claim 12.3 per cent of total advances.

Small-scale industries continued to get a preferential treatment from the bank during the year. Total financial assistance to small-scale units increased from Rs 11.89 crores in 1976 to Rs 15.09 crores in 1977 registering 27 per cent increase. The number of units that received such assistance increased from 1,275 in 1976 to 1,316 in 1977. As an index of the bank's earnest efforts in helping the priority sectors, the share of advances to these sectors, excluding exports, increased from 23.7 per cent in 1976 to 25.8 per cent in 1977.

During the year under review, the bank opened 51 branches. Of these, 36 were located in rural and semi-urban centres, indicating alignment with national priorities. A conspicuous feature is that the branch number crossed the figure of 500, taking the total number to 517 at the year end. These branches are spread over 20 different states and four union territories in the country.

Indian Hotels

Mr J.R.D. Tata, chairman, Indian Hotels Co Ltd, told shareholders at the annual meeting recently that the company's working results for the first four months (April-July) of the current year were appreciably better than the working of the corresponding period in the preceding year. As regards the hotel in Delhi, it would take a little more time to contribute towards profitability. The same results in occupancy rate as in Bombay could not be expected there. The flight kitchen was doing well as the number of airlines served was increasing. The chain of hotels under the group as a whole could be expected to show satisfactory progress and improved earnings, but one could not expect an exponential rising curve in earnings in the next few years.

Jiyajeerao Cotton

Jiyajeerao Cotton Mills has turned out good results for the year ended March 31, 1978, and the directors have raised the dividend by one per cent to ten per cent. What is more, the current year holds out promise of a still better performance, since production of the chemicals division has improved appreciably in the last few months and there has also been a gradual revival of the market.

During 1977-78, the company's total turnover has increased from Rs 60.28 crores to Rs 67.23 crores and, with improved margins, the gross

profit has expanded from Rs 3.42 crores to Rs 4.50 crores. The net surplus amounts to Rs 97.24 lakhs against Rs 44.13 lakhs, after providing Rs 1.88 crores (Rs 1.87 crores) for depreciation, Rs 35.87 lakhs (Rs 36.39 lakhs) for investment allowance and Rs 129 lakhs (Rs 84.50 lakhs) for the tax liability. The proposed dividend will require Rs 78.85 lakh (Rs 71.89 lakhs).

Despite difficult conditions facing the textile industry, the company has been able to achieve a higher turnover by stepping up production of blended fabrics and better operational efficiency through continuous renovation and modernisation of the mills. The results could have been much better, but for the poor working of the chemicals division on account of the depressed market conditions. Production of soda ash has been lower at 1,32,413 tonnes (1,48,037 tonnes) and that of caustic soda 24,563 tonnes (25,820 tonnes) and of refined sodium bicarbonate 8,659 tonnes (8,708 tonnes).

TELCO

The Tata Engineering and Locomotive Company (TELCO) is set to achieve record production and sales despite continued constraints like the power shortage and labour problems with some of the major suppliers of components. It expects to achieve a turnover of about Rs 360 crores during the current year against the actual sales of Rs 281 crores during 1977-78. Its sales during the first four months of 1978-79 have been

DELHI MARCHES AHEAD

Clean Administration :

Effective steps to eradicate corruption and to provide basic amenities to the public by the Delhi Administration.

Welfare of Harijans & Backward Classes :

Rs. 75 lakhs spent for Harijan Welfare Schemes; more than one crore of rupees to be spent this year; special scholarships for all Harijan students in Technical Institutions; special attention to ameliorate the plight of weaker sections living in resettlement colonies.

Education for all :

Delhi is far ahead in achieving national targets of education; to educate all children 21 more schools started and 79 more to start functioning this year; educational facilities to earning hands; free transport facility to rural girl students; free books and uniforms to all poor students.

Medical Facilities :

Expansion of medical facilities at the doors of the poor and villagers; provision of 500 beds in Din Dayal Upadhaya Hospital; construction of hospital and Medical College at Shahdara started; 100 bedded hospitals in villages and far-flung colonies to be constructed very soon; Guru Nanak Eye Centre at Lok Nayak Jai Prakash Narayan Hospital.

Food & Civil Supplies :

Pulses, vegetables, tea, soap etc. at cheaper rates; ration card holders to get more wheat and atta; strict action against corrupt business-men.

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placed at Rs 94 crores against Rs 74 crores during the corresponding period of the last year.

Disclosing this, the company's chairman, Mr S. Moolgaokar, told shareholders at the annual meeting in Bombay recently that the demand for the company's products was rising and the company had built additional capacity. But, because of the power shortage, particularly at Jamshedpur, the full capacity was unlikely to be achieved. The company's Poona plant was expected to produce about 7,000 vehicles this year. It was expected to produce light and medium vehicles—though it could turn out heavy vehicles because the company proposes to increase its overall production this year.

The demand for the company's vehicles in export markets has also been good, but it was not interested presently in raising its exports considerably with a view to satisfying the increasing home demand. Export orders on hand currently total over Rs 20 crores.

Electronics Corporation

Electronics Trade and Technology Development Corporation (ETTDC) during the last four years of its existence had a total turnover of about Rs 11.5 crores. Of the aggregate, Rs 1.3 crores are its earnings from export of electronic goods to nearly 20 countries. Is technology development also, ETTDC has made significant progress by securing appropriate technical know-how for executing three major 100 per cent export-oriented projects. These units now have export orders totalling about Rs 20 crores in hand.

Its other notable achievement is the development of a microprocessor based electronic business machine to replace large volume imports of an electro-mechanical type of business machine now being used mainly by banks and financial institutions. A few other projects are expected to be completed shortly. The corporation has been entrusted with the responsibility of technology transfer to industry for the projects sponsored and financed by Electronics Commission. Three such projects, namely, liquid crystal digital display devices, digital multimeters and TV camera lenses, are presently being transferred to industry.

Tata Steel

The Tata Iron and Steel Co hoped to maintain production during the current year ending March, 1979 to the previous year's level, which itself was a record one. Sales were expected to be higher than in 1977-78. According to Mr J.R.D. Tata, chairman, the overall working is likely to be better with higher profits. The production of saleable steel in the first four months of the current year (April-July) has been lower at 461,000 tonnes against 591,000 tonnes in the same period of the previous year. This was due to constraints in power availability and inadequate supplies of coal. The management, however, hopes that this loss in production will be made up.

When the rise in steel prices was granted in June 1978, stipulation has been prescribed limiting the dividend to 12 per cent. The current year 1978-79 would be the first year of the three years of this stipulation. Besides, one of the conditions of the financial institutions which have granted loans to the company was a ceiling of dividend at 11.47 per cent. The management has already taken up the matter with the financial institutions and hopes to get this condition waived. Thus the shareholders could expect a slightly higher dividend for the current year. The company would prefer to go in for high grades of steel out of its total production. The demand all over the world has been increasing for higher grade steels.

Indian Cable

The Indian Cable Company Limited (INCAB) reported its results for the year ended March 31, 1978 with marginal increase in sales which during the year under review was Rs 39.90 crores against Rs 39.38 crores in the previous year. Exports of the company were Rs 324.06 lakhs. The pre-tax profit after depreciation is Rs 252.94 lakhs (against last year's Rs 260.24 lakhs). After transfer of Rs 16.00 lakhs to investment allowance reserve, Rs 3.00 lakhs to debenture redemption reserve and Rs 5.47 lakhs to general reserve, the directors proposed to maintain the dividend at 14 per cent absorbing Rs 88.04 lakhs.

Dharangadhra Chemical

Dharangadhra Chemical Works has reported improved working results for the year ended March 1978. Owing to the continuation of the tight ways and means position and as per the covenant with the financial institutions, the directors have proposed to clear the arrears of preference dividend for 1976-77 and to pass over both equity and preference dividend for 1977-78. According to the preliminary statement, sales have risen from Rs 14.66 crores in 1976-77 to Rs 17.80 crores in 1977-78 and the gross profit from Rs 63.06 lakhs to Rs 127.66 lakhs. After providing Rs 71.31 lakhs for depreciation, Rs 2.48 lakhs for investment allowance and Rs 40 lakhs for taxation there is a net profit of Rs 13.87 lakhs against the net loss of Rs 28.24 lakhs in the previous year. The preference dividend for 1976-77 will absorb Rs 6.64 lakhs. After adjustments, a sum of Rs 9.80 lakhs has been carried forward.

The overall sales of the company were higher mainly because of higher production and clearance of accumulated stocks of the products in the soda ash unit. The management is making constant efforts to

The Calcutta Electric Supply Corporation Ltd.

(Incorporated in England)

7¾ Debenture Stock 1980

Interest for the Half Year Ending 14th October, 1978

Notice is hereby given that Interest at the rate of Rs 38.75p (less Indian Income Tax) per Rs 1,000/- of Stock will be paid on 15th October, 1978, to Debenture Stockholders registered in the Books of the Company on 14th October, 1978. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Square, Calcutta, upto 14th October, 1978, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above interest.

Debenture Stock Transfer Book will be closed from 15th October, 1978 to 21st October, 1978, both days inclusive.

By Order of the Board

(S.K. NIYOGI)
Secretary

Victoria House,
Calcutta 700 001.
4th August, 1978.

effect economies at all levels. The increase in sales realisation, reduction in stocks and improvements in production are expected to yield good results and the outlook for 1978-79 is considered promising. The company has received an industrial licence for the manufacture of bromine after clearance from MRTP. Steps are being taken to implement the project.

Dalmia Dairy

Dalmia Dairy Industries proposes to establish a new undertaking for manufacture of rubber threads in various gauges and counts. The plant, with an installed capacity of 1,250 tonnes a year is to be located at Aurangabad, Maharashtra. The project cost of Rs 197 lakhs is proposed to be financed by equity capital of Rs 80 lakhs and long-term borrowing from banks and financial institutions of Rs 117 lakhs. The company has sought the necessary clearance from the government for the new project under the MRTP Act.

Mcleod Russel

Mcleod Russel (India) is offering for subscription 5,19,993 equity shares of Rs 2 each at par to reduce the non-resident shareholding to 74 per cent. Of these shares, 40,000 shares have been reserved for firm allotment to public financial institutions and another 40,000 for employees and Indian directors and business associates. The balance of 4,39,993 shares will be offered to the public. The subscription list will open on August 21.

The company has acqired the Indian undertakings of seven sterling tea companies having estates in Assam and West Bengal as at the end of 1976 as going concerns in accordance with the schemes of amalgamation approved by the Calcutta High Court. The total valuation of the undertakings of the seven companies has been fixed by the RBI at Rs 3.38 crores. In satisfaction of this consideration, the company has allotted at par equity shares of the value of Rs 1.48 crores to Mcleod and Company of the UK and retained Rs 1.90 crores as an interest-free loan repayable in five equal instalments.

Mr N. N. Atal, chairman, has told newsmen in Bombay that the combined turnover and profit before taxation of the seven tea companies for 1972 were Rs 6.33 crores and Rs 35 lakhs, which in 1977 increased to Rs 16.98 crores and Rs 5.32 crores, repectively. During the same period, production of tea increased

15th AUGUST

Day of Rejoicing—Day of Rededication to Values and Ideals.

On this Day We recall:

—The historic struggle for freedom under Mahatma Gandhi's leadership;

—The sacrifices and sufferings of millions of our countrymen;

—The consolidation of freedom, integration of the country and laying of the foundations of economic development.

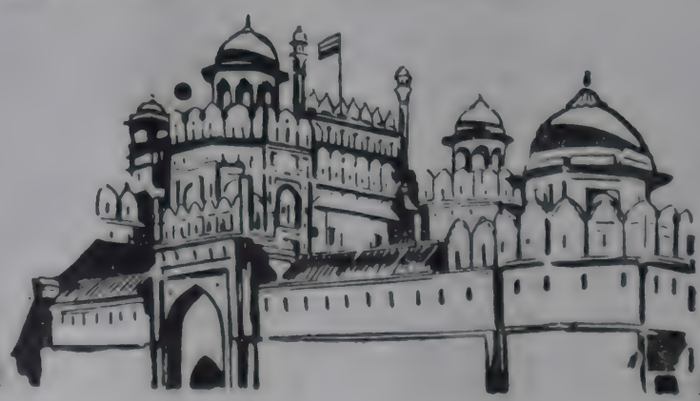
Today We resolve:

—To banish unemployment, sickness and illiteracy from our midst;

—To provide our people in the 5,76,000 villages with the minimum needs of drinking water, health, education and roads;

—To take the weaker sections of society along the path of socio-economic development as equal partners.

On this 31st anniversary of Freedom let us resolve to build the India of Gandhiji's dreams. Let us strive to wipe every tear from every eye.



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from 88.91 lakh kg to 119.29 lakh kg. The chairman hoped that the demand for quality teas, such as produced by the company, will be sustained both in domestic and export markets and that the company, will be able to earn adequate profits.

Sunil Synchem

Sunil Synchem has shown good results for the year ended April 1978—the second full year of its operations. Production has exceeded the installed capacity of 200 million capsules at 229.5 million against 191.4 million in 1976-77. Sales have increased by 39 per cent from Rs 33.05 lakhs to Rs 46 lakhs and the gross profit from Rs 8.94 lakhs to Rs 10.89 lakhs. After providing for depreciation and for investment allowance reserve and after working out the loss brought in, a surplus of Rs 1.96 lakhs has been carried forward.

The company has taken steps to double its capacity from 200 million capsules to 400 million capsules a year. Necessary finance has been arranged from the ICICI. The new plant, which is being imported, is likely to go on stream early next year. The company's joint project in Thailand is expected to be started shortly. The company plans to diversify into the pharmaceutical and allied fields.

Investment Corporation of India

Investment Corporation of India has earned a net profit of Rs 23.50 lakhs for the nine months ended March 31, 1978, as against Rs 48.73 lakhs for the previous full year. The decline in the profit has followed reduction in the gross income from dividend on shares and interest on securities from Rs 76.58 lakhs to Rs 39.04 lakhs Taking advantage of the provision concerning the assessment to tax of long-term capital budget, the corporation has realised a substantial capital surplus of Rs 43 lakhs on sale of shares worth Rs 63 lakhs, which has been credited to the capital reserve after making adjustments.

The appreciation in the corporation's portfolio, which was Rs 325 lakhs or 52 per cent over book cost at the beginning of July 1977, went up to Rs 361 lakhs or 58 per cent at the end of March 1978 and to Rs 425 lakhs or 68 per cent over book cost at the end of June last. The break-up value of the share, taking into account this appreciation, is Rs 493 per share at the end of June 1978 as against Rs 422 per share a year ago.

Piramal Steel

Piramal Steel has sought approval for raising its capacity to produce stainless steel and special alloy steel at its mini-steel plant at Tarapur. The company has successfully produced and marketed in the past six months over 300 tonnes of stainless steel ingots turned out of steel scrap. It is probably the first mini-steel plant which has applied to the Steel ministry for amending its industrial licence to produce stainless and special alloy steels up to 25 per cent of its licensed capacity of 18,000 tonnes a year.

Stainless steel ingots of Piramal Steel have been well received by consumers and their prices are around those produced by Mahindra Ugine, Bihar Alloys and alloy steel plant at Durgapur. Encouraged by the success in rolling out stainless steel ingots in a big way in a relatively short time, the company proposes to set up a sophisticated rerolling mill with a view to improving considerably the viability of its products. It proposes to reroll its own stainless steel ingots into flats and sheets which fetch much higher prices. The company currently markets its stainless steel ingots around Rs 55,000 a tonne. Imports of stainless steel products currently total about 20,000 tonnes a year.

Indian Organic

Indian Organic Chemicals has been issued a letter of intent to double the capacity of its polyester staple fibre plant to 12,200 tonnes per annum and is taking preliminary steps in this regard. Mr B.M. Ghia, chairman, has pleaded that the existing fibre units should be allowed to expand to 30,000 tonnes, since the government has itself decided to instal a public sector unit with that capacity.

In its annnal statement circulated to the shareholders, Mr Ghia has stated that the two major constraints, viz, import of foreign fibre and the impact of the excise relief scheme, still continue to adversely affect the working of the Manali plant. On the former issue, he expects that the government's decision on the report of the special commitee, appointed after the last budget to investigate the question of fibre imports, will be announced soon.

As regards the excise relief scheme, the company has filed a writ petition in the Delhi High Court, where the matter is pending.

The Khopoli unit continues to fare well. Its sales during the first four months of the current year have been encouraging. The research and development department is investi-

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gating the manufacture of new products in the field of soil inoculants in agriculture.

New Registrations

Fiftynine private limited companies with a total authorised capital of Rs 3,89,20,000 and two public limited companies with a total authorised capital of Rs 34,00,000 were incorporated in the union territory of Delhi during June 1978. One private limited company with an authorised capital of Rs 5,00,000 was incorporated in the state of Haryana during this month.

One private limited company shifted its registered office from Tamil Nadu to the union territory of Delhi. One public limited company having an authorised capital of Rs 15 lakhs transferred its registered office from the union territory of Delhi to the state of Haryana.

Capital and Bonus Issues

Consent has been granted to eight companies to raise capital. One company has, however, been refused permission to issue bonus shares. The following are the details:

Lucky Valley (Nilgiri Hills) Tea Estate Limited—Rs 6 lakhs in the ratio of one bonus share of Rs 10 each for each equity share of Rs 10.

Geoffery Manners & Company Limited—Rs 96 lakhs in the ratio of one bonus share of Rs 10 each for every two equity shares of Rs 10.

Excel Industries Limited—Rs 35.50 lakhs in the ratio of one bonus share of Rs 10 each for every two equity shares of Rs 10.

Automotive Manufacturers Limited—Rs 5 lakhs in the ratio of one bonus share of Rs 100 each for every eight equity shares of Rs 100.

S. A. E. (India) Limited—Rs 25 lakhs in bonus equity shares and Rs 45 lakhs in equity shares as further issue out of which shares worth Rs 20 lakhs are to be issued as fully paid up at par to EID-Parry and South India Viscose in conversion of the loans given by them to the company in 1974.

The Darjeeling Planta tion Industries Limited—Rs 15,59,930 in equity shares of Rs 10 each for cash at par to reduce non-resident shareholding to 74 per cent under FERA regulations.

Vulcan Laval Limited—Rs 83.22 lakhs in equity shares of Rs 10 each at a premium of Rs 6 per share and also to disinvest equity shares of the nominal value of Rs 12 lakhs held by non-resident shareholders for allotment to resident Indians at a premium of Rs 6 per equity share of Rs 10 each.

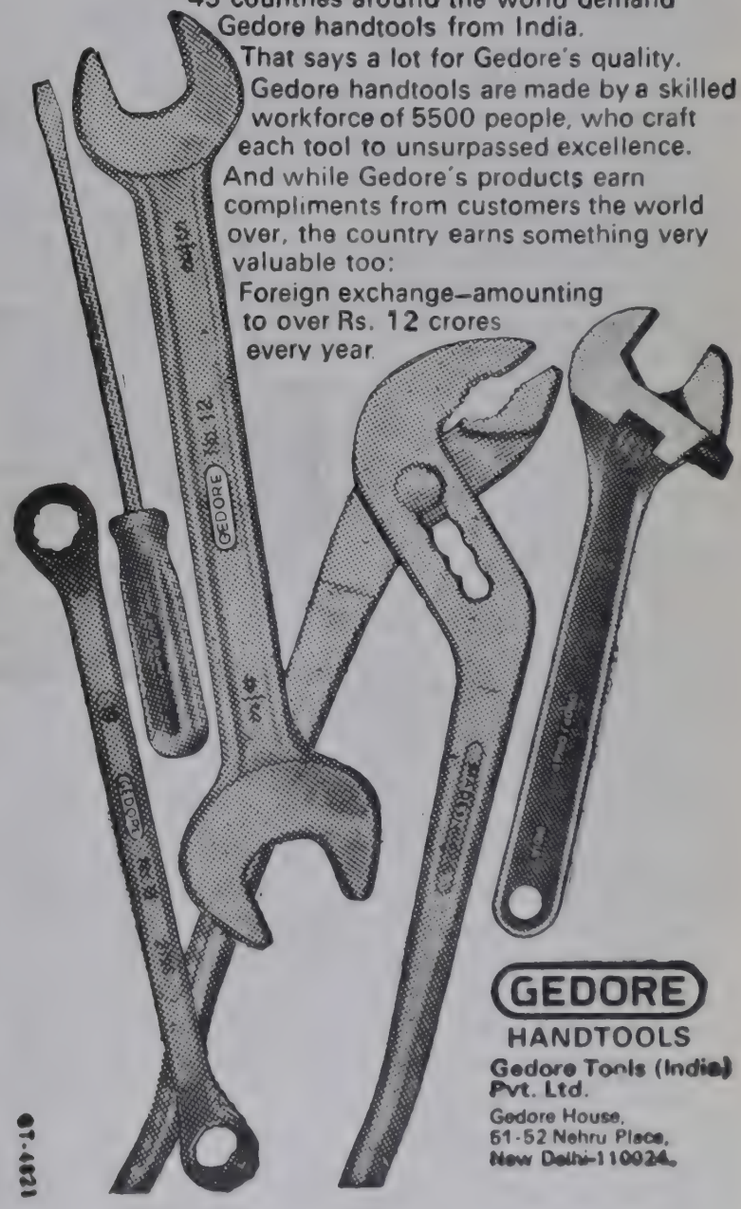
Mangalam Cements Limited—Rs 579,99,840 in equity shares out of which shares worth Rs 231,99,840 to M/s Kesoram Industries and Cotton Mills (Promotors), its interconnected undertakings, their directors relatives and friends etc; Rs 40 lakhs to M/s Rajasthan State Industries and Mineral Development Corporation Limited and Rs 308 lakhs to public through a prospectus, all for cash at par and Rs 20 lakhs in preference shares to M/s Rajasthan State Industries and Mineral Development Corporation Limited, to utilise for part financing of a dry process Portland Cement manufacturing plant initially of four lakh tonnes per annum capacity at Morack in district Kota (Rajasthan).

The Metal Powder Co. Limited has been refused permission to issue Rs 60 lakhs in equity bonus shares.

Earning over Rs.12 crores in foreign exchange from 45 countries.

Quality handtools by Gedore.

45 countries around the world demand Gedore handtools from India.
That says a lot for Gedore's quality.
Gedore handtools are made by a skilled workforce of 5500 people, who craft each tool to unsurpassed excellence.
And while Gedore's products earn compliments from customers the world over, the country earns something very valuable too:
Foreign exchange—amounting to over Rs. 12 crores every year.



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HANDTOOLS
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Gedore House,
51-52 Nehru Place,
New Delhi-110024.

The new textile policy

According to the new textile policy announced in Parliament on August 7, controlled cloth production in the organised sector is to be phased out over a period. As a first step the obligation to produce controlled cloth by mills will be discontinued with effect from October 1, 1978. A statement on the textile policy of the government was laid on the table of both the houses of Parliament on August 7, 1978. The following is the text of the statement

THE TEXTILE industry is the oldest and single most important industry in India, both in terms of employment, and for meeting one of the essential consumption needs of the people. Unfortunately, over the years, the performance of this industry has not been satisfactory. In the organised sector, productivity has fallen in a large number of units. The incidence of sickness has been growing and the progress of modernising obsolete equipment has been tardy. The cost of textiles has been rising steadily, while the per capita consumption of cloth has been falling.

Less Organised Sector

In the less organised and decentralised sector of handlooms, khadi and sericulture, difficulties regarding the supply of yarn, suitable marketing arrangements and similar factors have resulted in a less than adequate growth rate. Difficulties regarding availability of yarn at reasonable prices, marketing problems and competition from the powerlooms have been some of the reasons for this. Production of woollen fabrics has not kept up with the demand, and prices have prevailed at a very high level. The sericulture industry has been stagnating despite its enormous potential for providing gainful employment.

The absence of clearcut and unambiguous policies relating to the various facets of this diverse industry and the failure to set definite time bound objectives have been largely responsible for this unhappy situation. Thus:

(i) The roles and tasks to be performed by the organised sector and the decentralised sector, have not been clearly defined;

(ii) Large amounts of public resources have been spent on subsidising the textile industry, but the subsidies have largely favoured the organised sector, despite the greater need to help the development of the handloom and unorganised sector. In addition, the competition from powerlooms was not regulated;

Lack of Policy

(iii) There has been a lack of a consistent policy and the absence of a long-term perspective, relating to the use of cotton and synthetic fibres. This has resulted in advantage not being derived from the use of low priced synthetic fibres;

(iv) The wide fluctuations in the prices of cotton, the principal raw material for this industry, has had a serious detrimental effect on the textile industry and caused uncertainties to the growers. Organisational and policy frameworks for effectively dealing with this problem have not been devised;

(v) the public sector has had to assume a lerge role in textile production, without any clear-cut policy aims and objectives.

Main Objectives

The achievement of government's economic and industrial policy requires that this situation of uncertainty and inconsistent policies, should end, and conditions should be created for steady and stable growth for the future. The main objectives which are sought to be achieved by the new textile policy are:

(i) Production and availability of adequate supplies of cloth of acceptable quality and at low prices for the masses;

(ii) Improved arrangements for the distribution of this cloth to the weaker sections of the population;

(iii) Rapid development of its decentralised sector, including handlooms, khadi and sericulture and maximisation of employment thereby;

(iv) Harmonious balance between the use of cotton and synthetic fibres ensuring that the incomes and employment of cotton growers is maximised and optimum use is made of the potential for the production of synthetic fibres from the high aromatic gas and naphtha feedstock available in the country.

The controlled cloth scheme has not proved successful in achieving the objective of providing cheap cloth to the weaker sections of the population. Although the cloth produced under this scheme is being heavily subsidised, the distribution system has not been able to ensure that the benefits reached the weaker sections, particularly in the rural areas. At the same time, the availability of highly subsidised mill-made cloth has provided unfair competition to handlooms and thereby retarded growth in that sector.

Quota System

The system of determining quotas for the production of controlled cloth, on the basis of loom-shifts, has thrown a heavier burden on the weaker mills, and on the lower value cloth. The losses suffered by the weaker mills on account of the production of controlled cloth has been one of the important contributory causes for their sickness. Exemptions from the obligation to produce controlled cloth has had to be given to a large numbers of textile mills because of sickness and consequently the availability of controlled cloth has been falling and is totally inadequate to meet the requirements of the

weaker sections of the population.

Government consider it necessary that the supply of cheap cloth for the weaker sections, and the rapid development of the handloom sector, should be simultaneously accomplished. It is, therefore, intended that the handloom sector should, to the maximum extent possible and in the shortest period of time, meet the requirements of cloth for the weaker sections of the population. The sale price of such handloom cloth would be subsidised to the extent decided upon from time to time, so that the social obligation of providing cheap cloth to the weaker sections can be adequately fulfilled.

Phased Programme

The manufacture of controlled cloth in the organised sector would be phased out over a period of time, consistent with the growth of production of the required varieties of cloth in the handloom sector. It is proposed to discontinue the present pattern of imposing obligation to produce controlled cloth with effect from October 1, 1978.

The financial burden now would be borne by the entire textile industry in a manner suitably devised to ensure that the burden is distributed equitably. This form of burden sharing would be used to subsidise the sale of controlled cloth from the mill and handloom sector initially, and from the handloom sector eventually. There would thus be no burden on the public exchequer, consequent to the removal of the obligation to produce controlled cloth. The weaker sections of society would also continue to get subsidised cloth.

Mill made controlled cloth would be limited to 400 million square metres, and would be produced both by the NTC and private sector mills. After earmarking the NTC share of production of controlled cloth, contracts for the production of the remaining quantity would be given to private sector mills, on the basis of competitive bids and subject to the price

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The Fertilizer (Planning & Development) India Ltd., Regd. Office : CIFT Bldg, P.O. Sindri, Dist. Dhanbad (Bihar) (Formerly Planning & Development Division of FCI)
Our Nangal unit has been merged with National Fertilizers Ltd. (Bhatinda, Panipat, Nangal)
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not exceeding the cost at which similar cloth would be manufactured by the NTC mills. NTC will be required to take on the responsibility of meeting any shortfall in production by the private sector mills.

The National Textile Corporation, besides participating in the production of controlled cloth would also be assisted in substantially stepping up their production, particularly in low-priced varieties with the accent on the needs of the common-man. These mills would endeavour to reduce the cost of production and improve the quality of fabrics both by modernising their equipment and through increased use of cheaper synthetic fibre. The distribution system would also be improved so that weaker sections of the population, particularly in the rural areas, would be benefitted.

Important Steps

A number of important steps would be taken to enable the decentralised and handloom sectors to fulfil the role assigned to them in the industrial and employment policies of government. These measures would be:

(i) No increase in weaving capacity would in future be allowed in the organised sector. The bulk of additional textile requirements would be met from the decentralised sector, increases in production of the organised sector being limited to that arising from the modernisation of out-dated equipment. Powerloom capacity would also not be allowed to increase. Legislation would be introduced to prevent the growth of powerloom.

(ii) The existing unauthorised powerlooms would be registered and regularised on payment of a deterrent penalty.

(iii) After the phasing out of the mill-made controlled cloth, subsidies would be allowed only for handloom and khadi cloth.

New Spindelage

(iv) Steps would be taken to bring into operation adequate new spindleage, so as to meet the full demand of the handloom sector for yarn. The National Textile Corporation would, in particular, give this aspects priority attention and increased availability of yarn from the public sector would help to maintain reasonable prices. The handloom units would also be registered and such registered units would be given preference in the supply of yarn.

(v) The policy of reserving certain items of cotton textile for the handloom sector would be effectively implemented. Subject to this, government would encourage the powerlooms in the decentralised sector to compete effectively with mills. For this purpose, reasonable facilities would be made available as would be required for making them run on sound and efficient lines.

The textile industry requires that cotton should be available at reasonable prices and without wide fluctuations throughout the year. It is equally necessary to protect the interests of the farmers growing cotton and to save them from exploitation by middlemen. It is, therefore, intended that:

(i) The production of cotton would be enhanced through improvements in yields by the provision of irrigation facilities and other essential inputs. The objective would be to achieve self-sufficiency in cotton production;

(ii) The cotton growers would be assured of a reasonable minimum price for their produce. The role of the Cotton Corporation of India would be expanded and it would be allowed to make commercial purchases in the market, so that cotton prices do not drop below the prescribed minimum.

At the same time, the Cotton Corporation would be required to prevent cotton prices going above a prescribed limit and for this purpose would be enabled to operate a buffer stock and make sales in the market. The buffer stock would be created mainly out of domestic surpluses in comfortable years and also through imports, if necessary. The buffer stock would not be operated either to substitute for indigenous cotton production or to depress the return to the growers. The Cotton Corporation would also be permitted to take such other steps, including exports, as to maintain cotton prices within the prescribed range;

(iii) The use of synthetic fibres would at all times be without detriment to the interests of cotton growers.

Availability of Woollens

The adequate availability of woollens and blankets, at reasonable prices, is a matter of considerable importance, particularly for the economically weaker sections living in the hilly parts of the country. The past difficulties of raw materials would be met by more liberal imports of wool as well as shoddy and increased use of acrylic. Programmes would be undertaken to increase more rapidly the domestic wool supply, especially of the quality required for garments. The ban on weaving capacity expansion in organised and powerloom sector will not apply to the woollen sector. While expansion of machine-made carpets would not, in general, be allowed, such expansion would be permitted in the export zone.

Modernisation Programme

The modernisation programme in the organised sector, which is being implemented with the help of soft-loans, has made limited progress so far. Steps would now be taken to accelerate the pace of modernisation and a definite time limit would be prescribed for the utilisation of the loans by the mills. Particular emphasis would be laid on selective modernisation for promoting exports.

The development of sericulture is important from the point of view of providing gainful employment and additional incomes, to the rural population particularly in some of the less economically developed states. Necessary facilities and assistance would be provided for the promotion of sericulture in states which have a potential for this activity.

Research and development work would be strengthened to solve the problems facing the textile industry and particularly those relating to handloom and khadi.

Government believes that now the nation will, for the first time, have an integrated policy framework for this vital industry and that this is an important step in the fulfilment of its pledge to meet the essential needs of the people of our country.

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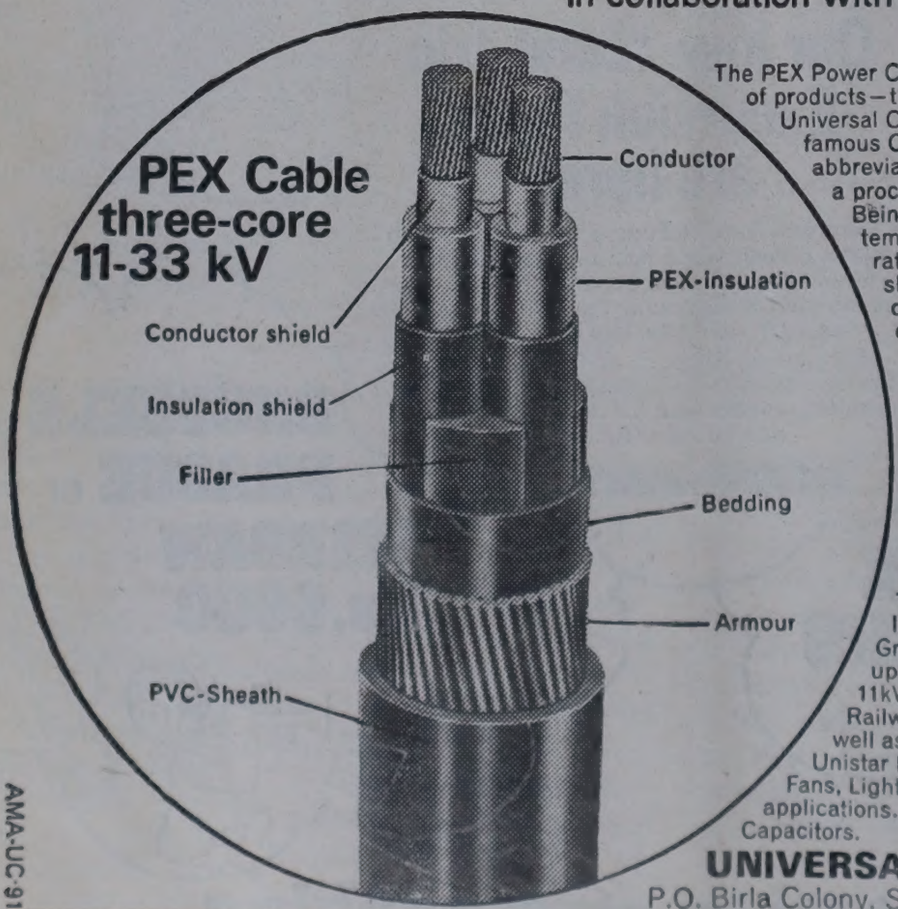

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